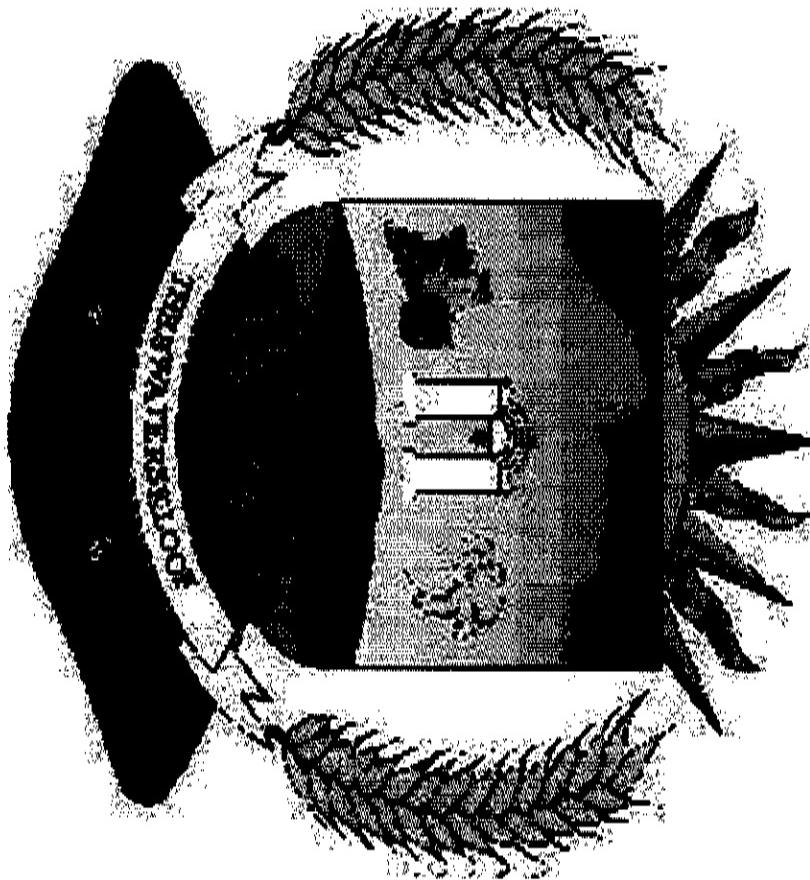


# THE EEWATERSKLOOF MUNICIPALITY



[These financial statements have been audited]

## FINANCIAL STATEMENTS

30 JUNE 2011

# THEEWATERSKLOOF MUNICIPALITY

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# THEEWATERSKLOOF MUNICIPALITY

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Theewaterskloof Municipality is a local municipality performing the functions as set out in the Constitution. (Act no 105 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)

#### JURISDICTION

The Theewaterskloof Municipality includes the following areas:

Caledon	Greyton
Grabouw	Grootfontein
Witzenberg	Bontekoe
Rivierskonderveld	Tesselaarsdal

#### MEMBERS OF THE MAYORAL COMMITTEE

Executive Mayor	Mr. C. Punt
Deputy Executive Mayor	Mrs. P. U. Stuurman
Executive Councillor	Mr. N.H. De Wet
Executive Councillor	Mrs C.N. Booysen-Nel
Executive Councillor	Mr. G.E.M. Carelse
Executive Councillor	Mr. M. Tsabaka
Executive Councillor	Mr K. Paper
Executive Councillor	Mrs. C. Vosloo (Speaker)

#### MUNICIPAL MANAGER

Mr. H.S.D. Wallace

#### CHIEF FINANCIAL OFFICER

Mr. S.N. Jacobs

#### REGISTERED OFFICE

6 Main Street, CALEDON, 7230

#### AUDITORS

Office of the Auditor General (WC)

#### PRINCIPLE BANKERS

ABSA Bank, P.O. Box 145, Caledon, 7230

#### ATTORNEYS

Bosman & Smith	
Fairbridge Attorneys	
Harold Gie Attorneys	
H.A.J Makkarbe Incorporated	
Johnson Kuhn & Co	
Clugston & Weltzmeier	
Grafene & Theron	
Du Plessis & Mostert	

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003);	
Division of Revenue Act	
The Income Tax Act	
Value Added Tax Act	
Water Services Act (Act no 108 of 1997)	
Municipal Structures Act (Act no 117 of 1998)	
Municipal Systems Act (Act no 32 of 2000)	
Municipal Planning and Performance Management Regulations	
Water Services Act (Act no 108 of 1997)	
Housing Act (Act no 107 of 1997)	
Municipal Property Rates Act (Act no 6 of 2004)	
Electricity Act (Act no 41 of 1998)	
Skills Development Levies Act (Act no 9 of 1999)	
Employment Equity Act (Act no 55 of 1998)	
Unemployment Insurance Act (Act no 30 of 1996)	
Basic Conditions of Employment Act (Act no 75 of 1997)	
Supply Chain Management Regulations, 2005	
Collective Agreements	
Infrastructure Grants	
SALBC Leave Regulations	

# THEEWATERSKLOOF MUNICIPALITY

## MEMBERS OF THE THEEWATERSKLOOF MUNICIPALITY

WARD	COUNCILLOR
1	Mr. K.R. Tiemie
2	Mrs. M.L. Hector
3	Mr K Papier
4	Mrs M.M. Koegelenberg
5	Mr. N.H. De Wet
6	Mrs. J. Nellie
7	Mrs. P.U. Stanfliet
8	Mrs. C.V. Thembaani
9	Mr. N. Pieterse
10	Mrs. M. Plato
11	Mrs C.N. Booyens-Nefat
12	Mr. U.T. Sipunzi
13	Mr. M Tshaka
Proportional	Mr. C Punt
Proportional	Mrs. C Vosloo
Proportional	Mr. G.E.M. Carelse
Proportional	Mr. C.D November
Proportional	Mr. I.M. Sileku
Proportional	Mr. P. De Wet
Proportional	Mrs. F.V. Mankayi
Proportional	Mr J.P. Hendricks
Proportional	Mr. A.H.F. Cupido
Proportional	Mrs. S.R. Witbooi
Proportional	Mr. M.R. Nongxaza
Proportional	Mr. D.J. Abrahams

### APPROVAL OF FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 72 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

  
\_\_\_\_\_  
Mr. H.S.D. Wallace  
Municipal Manager  
5 September 2011  
Date

**THEEWATERSKLOOF MUNICIPALITY**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011**

NET ASSETS AND LIABILITIES	Notes	2011 R	2010 R
<b>Net Assets</b>		<b>497 984 970</b>	<b>467 210 531</b>
Revaluations Reserve	2	11 158 466	7 913 565
Social Contribution Reserve	2	39 200	30 650
Accumulated Surplus/(Deficit)		<b>486 787 304</b>	<b>459 266 316</b>
<b>Non-Current Liabilities</b>		<b>151 256 435</b>	<b>120 718 598</b>
Long-term liabilities	3	100 128 801	78 104 948
Employee benefits	4	28 519 104	21 379 105
Non-current provisions	5	22 608 530	21 234 545
<b>Current Liabilities</b>		<b>44 492 922</b>	<b>42 715 501</b>
Consumer deposits	6	3 149 348	2 942 496
Current Employee benefits	7	11 270 845	9 637 374
Provisions	8	151 583	151 583
Payables from exchange transactions	9	21 570 773	17 074 024
Unspent conditional government grants and receipts	10	2 328 784	7 148 626
Unspent Public Contributions	11	85 632	-
Taxes	12.1	661 022	1 033 543
Operating lease liability	21.1	3 451	17 257
Current portion of long-term liabilities	3	5 271 484	4 710 598
<b>Total Net Assets and Liabilities</b>		<b>693 734 327</b>	<b>630 644 631</b>
<b>ASSETS</b>			
<b>Non-Current Assets</b>		<b>641 053 624</b>	<b>594 848 455</b>
Property, plant and equipment	13	403 222 279	363 096 331
Capitalised restoration costs	14	373 638	664 967
Investment property	15	235 357 830	228 757 273
Intangible assets	16	2 058 713	2 286 104
Long-term receivables	17	41 165	43 780
<b>Current Assets</b>		<b>52 680 703</b>	<b>35 796 176</b>
Inventory	18	1 883 869	1 586 058
Receivables from exchange transactions	19	22 370 459	16 701 860
Receivables from non-exchange transactions	20	3 565 253	6 554 895
Unpaid conditional government grants and receipts	10	182 255	29 538
Operating lease asset	21.2	184 700	116 163
Taxes	12	1 866 392	3 439 592
Current portion of long-term receivables	17	4 241	6 320
Cash and cash equivalents	22	22 623 534	7 361 750
<b>Total Assets</b>		<b>693 734 327</b>	<b>630 644 631</b>

**THEEWATERSKLOOF MUNICIPALITY**

**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

REVENUE	Notes R	2011 (Actual)	2010 (Restated) R	Correction of error R	2010 (Previously reported) R
<b>Revenue from Non-exchange Transactions</b>		<b>158 838 616</b>	<b>146 869 287</b>	<b>11 247 279</b>	<b>135 622 07</b>
Taxation Revenue	23.	41 130 046	38 728 921	-	38 728 921
Property taxes		41 130 046	38 728 921	-	38 728 921
<b>Transfer Revenue</b>		<b>102 254 582</b>	<b>91 845 292</b>	<b>-</b>	<b>91 845 291</b>
Government Grants and Subsidies	24.	101 395 347	91 845 292	-	91 845 291
Public Contributions and Donations		859 235	-	-	-
<b>Other Revenue</b>		<b>15 473 988</b>	<b>16 285 074</b>	<b>11 247 279</b>	<b>5 047 794</b>
Third Party Payments		414 278	1 449 361	-	1 449 361
Fines		3 627 434	3 591 737	-	3 591 737
Fair Value Adjustments	27	11 432 276	11 253 976	11 247 279	6 697
<b>Revenue from Exchange Transactions</b>		<b>125 960 525</b>	<b>114 153 759</b>	<b>(1 452 483)</b>	<b>115 606 243</b>
Service Charges	25	108 733 355	95 401 287	(682 282)	95 401 290
Rental of Facilities and Equipment		1 351 701	1 490 011	-	2 091 293
Interest Earned - external Investments		1 664 552	2 757 556	-	2 757 556
Interest Earned - outstanding debtors		7 389 348	6 351 554	-	6 351 554
Licences and Permits		2 612 474	2 188 271	-	2 188 271
Agency Services		1 778 155	1 973 519	-	1 973 519
Other Income	26	2 450 940	3 287 849	(1 034 243)	4 322 090
Gain on disposal of Property, Plant and Equipment		784 712	264 042	264 042	520 671
<b>Total Revenue</b>		<b>284 839 141</b>	<b>261 023 045</b>	<b>9 794 796</b>	<b>251 228 249</b>
<b>EXPENDITURE</b>					
Employee related costs	28	98 475 594	84 600 414	-	84 600 414
Remuneration of Councillors	29	6 022 360	5 654 539	-	5 654 539
Debt Impairment	30	18 637 852	16 398 694	(1 878 038)	18 276 732
Depreciation and Amortisation	31	7 163 918	6 644 372	(13 898 358)	20 542 730
Impairments	32	1 607 092	577 833	577 833	-
Repairs and Maintenance	33	14 054 054	34 576 270	16 887 976	17 688 294
Actuarial Losses	4	4 910 343	70 985	70 985	70 985
Finance Charges	34	10 934 109	9 339 230	1 036 971	8 302 259
Bulk Purchases		34 790 079	25 913 357	-	25 913 357
Contracted services		9 949 008	8 653 412	-	8 653 412
Grants and Subsidies	35	427 760	484 727	-	484 727
Operating Grant Expenditure		27 559 606	26 598 457	(4 008 986)	30 595 343
General Expenses	36	23 988 853	21 355 989	8 982	21 327 027
Loss on disposal of Property, Plant and Equipment		788 977	-	-	-
<b>Total Expenditure</b>		<b>257 309 605</b>	<b>240 836 279</b>	<b>(1 273 540)</b>	<b>242 109 820</b>
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>		<b>27 529 536</b>	<b>20 166 766</b>	<b>11 068 336</b>	<b>9 116 430</b>

**THEEWATERSKLOOF MUNICIPALITY**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011**

	R	R	R	R	R	R	Total
R	R	R	R	R	R	R	Capital Reserve
R	R	R	R	R	R	R	Surplus/ (Deficit)
<b>Balance at 30 June 2009</b>	-	716 718	30 650	192 953 818	193 701 166		
Correction of error - Note - 37	-	-	-	245 409 014	245 409 014		
<b>Restated balance at 30 June 2009</b>	-	716 718	30 650	438 362 832	439 110 200		
Net Surplus for the year	-	195 467	-	20 186 766	20 186 766		
Transfer to CRR	-	(912 185)	-	(195 467)	912 185		
Property, Plant and Equipment purchased	-	-	-	-	-		
Revaluation of PPE - Correction of error - Note 37.06	7 913 567	-	-	-	-	7 913 567	
<b>Balance at 30 JUNE 2010</b>	7 913 567	-	30 650	459 266 316	467 210 533		
Net Surplus for the year	-	-	-	27 529 536	27 529 536		
Revaluation of PPE	3 244 899	-	-	-	3 244 899		
Transfer to Social contribution Reserve	-	-	8 550	(8 550)	-		
<b>Balance at 30 JUNE 2011</b>	11 158 466	-	39 200	486 787 302	497 984 968		

**THEEWATERSKLOOF MUNICIPALITY**

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	30 JUNE 2011 R	30 JUNE 2010 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		156 023 989	128 122 039
Government grants		101 395 347	91 845 292
Interest <sup>†</sup>		9 053 900	9 109 110
<b>Payments</b>			
Suppliers and employees		(221 553 820)	(206 188 113)
Finance charges		(10 934 109)	(9 339 230)
Transfers and Grants		(427 760)	(484 727)
<b>Cash generated by operations</b>			
	39	33 557 548	13 064 371
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	13	(44 623 013)	(31 444 457)
Purchase of Investment property		3 577 514	876 896
Proceeds on Disposal of Fixed Assets		(46 549)	(1 232 747)
Purchase of Intangible Assets	16	4 694	54 013
Decrease in Long-term Receivables	17		
<b>Net Cash from Investing Activities</b>			
	(41 087 353)	(31 746 295)	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Loans repaid		(3 911 222)	(5 327 423)
New loans raised		26 495 960	55 171
Increase in Consumer Deposits		206 852	245 374
<b>Net Cash from Financing Activities</b>			
	22 791 590	(5 026 878)	
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
	15 261 784	(23 708 802)	
Cash and Cash Equivalents at the beginning of the year			
Cash and Cash Equivalents at the end of the year	40	7 361 750	31 070 552
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
	15 261 784	(23 708 802)	

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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### 1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE ANNUAL FINANCIAL STATEMENTS

#### 1.1. BASIS OF PREPARATION

The annual financial statements have been prepared on the accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

<b>GRAP 5</b>	Borrowing Costs
<b>GRAP 6</b>	Consolidated and Separate Financial Statements
<b>GRAP 7</b>	Investments in Associate
<b>GRAP 8</b>	Interests in Joint Ventures
<b>GRAP 101</b>	Agricultural
<b>GRAP 102</b>	Intangible assets
<b>IPSAS 20</b>	Related Party Disclosure
<b>IFRS 3 (AC140)</b>	Business Combinations
<b>IFRS 4 (AC141)</b>	Insurance Contracts
<b>IFRS 6 (AC143)</b>	Exploration for and Evaluation of Mineral Resources
<b>IAS 12 (AC102)</b>	Income Taxes
<b>SIC – 21 (AC421)</b>	Income Taxes – Recovery of Revaluated Non-Depreciable Assets
<b>SIC – 25 (AC425)</b>	Income Taxes – Changes in the Tax Status on an Entity or its Shareholders
<b>SIC – 29 (AC429)</b>	Service Concessions Arrangements – Disclosures
<b>IFRIC 2 (AC435)</b>	Members' Shares in Co-operative Entities and Similar Instruments
<b>IFRIC 4 (AC437)</b>	Determining whether an Arrangement contains a Lease
<b>IFRIC 9 (AC442)</b>	Reassessment of Embedded Derivatives
<b>IFRIC 12 (AC445)</b>	Service Concession Arrangements
<b>IFRIC 13 (AC446)</b>	Customer Loyalty Programmes
<b>IFRIC 14 (AC447)</b> IAS19	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
<b>IFRIC 15 (AC448)</b>	Agreements for the Construction of Real Estate
<b>IFRIC 16 (AC449)</b>	Hedges in a Net Investment in a Foreign Operation

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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The municipality resolved to early adopt the following GRAP standards which have been issued but are not yet effective.

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011

The municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not yet effective.

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 25	Employee Benefits	Unknown
GRAP 104	Financial Instruments	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3.

A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible Assets where the acquisition cost of an asset could not be determined.

If fair value at the measurement date cannot be determined for an item of property, plant and equipment, investment property or an intangible asset, an entity may estimate such fair value using depreciated replacement cost.

The cost for depreciated replacement cost is determined by using either one of the following:

- cost of items with a similar nature currently in the municipality's asset register;
- cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the municipality and that the other municipality's asset register is considered to be accurate;
- cost as supplied by suppliers.

### **1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are included in the statements.

### **1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

### **1.4. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### **1.5. PRESENTATION OF BUDGET INFORMATION**

As noted, GRAP 24 is not yet effective, however budget information required in terms of GRAP 1 paragraph 14 to 18 have been disclosed in the financial statements. The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury.

### **1.6. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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**1.7. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

Standard	Description	Effective Date
<b>GRAP 6 (Revised)</b>	<b>Consolidated and Separate Financial Statements</b> No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
<b>GRAP 7 (Revised)</b>	<b>Investments in Associate</b> No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
<b>GRAP 8 (Revised)</b>	<b>Interest in Joint Ventures</b> No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
<b>GRAP 18</b>	<b>Segment Reporting</b> Information to a large extent is already included in the notes to the annual financial statements.	Unknown
<b>GRAP 24</b>	<b>Presentation of Budget Information in Financial Statements</b> Information to a large extent is already included in the notes to the annual financial statements.	1 April 2012
<b>GRAP 25</b>	<b>Employee Benefits</b> Information to a large extent is already included in the notes to the annual financial statements.	Unknown
<b>GRAP 103</b>	<b>Heritage Assets</b> No adjustments necessary as the municipality has no significant heritage assets.	1 April 2012
<b>GRAP 104</b>	<b>Financial Instruments</b> Information to a large extent is already included in the notes to the annual financial statements.	Unknown
<b>GRAP 105</b>	<b>Transfer of Functions Between Entities Under Common Control</b> No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
<b>GRAP 106</b>	<b>Transfer of Functions Between Entities Not Under Common Control</b> No significant impact is expected as the municipality does not participate in such business transactions.	Unknown
<b>GRAP 107</b>	<b>Mergers</b> No significant impact is expected as the municipality does not participate in such business transactions.	Unknown

These standards, amendments and interpretations will not have a significant impact on the municipality once implemented.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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### **1.8. RESERVES**

#### **1.8.1 Capital Replacement Reserve (CRR)**

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus / (deficit) to the CRR. The cash in the CRR can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) are credited by a corresponding amount when the amounts in the CRR are utilised.

#### **1.8.2 Housing Development Fund**

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from National and Provincial Government, used to finance housing selling schemes undertaken by the municipality, were extinguished on 1 April 1998 and transferred to the Housing Development Fund. Housing selling schemes, both completed and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sale of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

#### **1.8.3 Revaluations Reserve**

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17.

All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

#### **1.8.4 Social Contribution Reserve**

Theewaterskloof Municipality's approach to ensuring Social upliftment is underpinned by the view of achieving realistic balance between meeting the development needs of our communities while simultaneously ensuring that the particular project makes financially viable sense for the Municipality, i.e. deriving value for our business.

In this context, the primary objectives of this policy are to:

- Ascribe relevant and notable contributions to Development and Construction companies to the social development agenda related solely to initiatives targeted for the previously disadvantaged communities. This can include, but is not limited to education programs, community programs, job creation initiatives, Health programs, conservation, community tourism initiatives and marketing initiatives to develop the local black tourist market.
- Nurture a reputation amongst our stakeholders (businesses) for being compassionate organizations playing its part in the upliftment of the poorest of the poor within our Municipal jurisdiction.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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- As a local government, we are able to guide business sector into focus areas, which our communities have identified as their priority areas (through the IDP engagements), where private sector contributions would make a tangible difference.

Theewaterskloof Municipality recognises that business are not social development experts and therefore, the social development contributions ascribed can be contributed via the mechanism of financial and/or in-kind grant making, to the Municipality.

Contribution: 1% of selling price of property.

### 1.9. LEASES

#### 1.9.1 *Municipality as Lessee*

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

#### 1.9.2 *Municipality as Lessor*

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual according to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

### 1.10. GOVERNMENT GRANTS AND RECEIPTS

#### 1.10.1 *Unspent Conditional Government Grants and Receipts*

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants and subsidies.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

#### **1.10.2 Unpaid Conditional Government Grants and Receipts**

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Economic Entity has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of the grants as receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

#### **1.11. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent public contributions are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent public contributions are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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### 1.12. PROVISIONS

Provisions are recognised when the municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

### 1.13. EMPLOYEE BENEFITS

#### (a) Post Retirement Medical Obligations

The municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

### (b) Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, are charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

### (c) Accrued Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

### (d) Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

### (e) Pension and Retirement Fund Obligations

The municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Defined benefit plans are post-employment benefit plans other than defined contribution plans. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

### 1.14. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in the Statement of Financial Performance when incurred.

### 1.15. PROPERTY, PLANT AND EQUIPMENT

#### 1.15.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired are initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### 1.15.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

### **1.15.3 Subsequent Measurement – Revaluation Model**

Subsequent to initial recognition, Land and Buildings are carried at a re-valued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

### **1.15.4 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

<b>Infrastructure</b>		<b>Years</b>	<b>Years</b>	
Roads and Storm water	5-150		Buildings	20-100
Refuse	20-50		Specialist vehicles	10-35
Electricity	10-100		Other vehicles	5-30
Water	10-200		Office equipment	3-15
Sewerage	10-200		Furniture and fittings	5-20
Housing	20-100		Watcraf	15-30
			Bins and containers	5-15
<b>Community</b>			Specialised plant and	5-35
Buildings	20-100		Equipment	
Recreational Facilities	20-30		Other plant and	
Security	5-15		Equipment	2-25
Halls	20-30		Landfill sites	20-100
Libraries	20-30		Quarries	20-100
Parks and gardens	15-20		Emergency equipment	5-25
Other assets	15-30		Computer equipment	3-15
<b>Heritage Assets and Land</b>				
Heritage assets	10- Infinite		<b>Intangible Assets</b>	
Land	Infinite		Software	5-10
<b>Finance lease assets</b>				
Office equipment	3-15			
Other assets	3-15			

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

### 1.15.5 De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.15.6 Land and Buildings and Other Assets – Application of Deemed Cost (Directive 7)

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007. For Other Assets, the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

## 1.16. INTANGIBLE ASSETS

### 1.16.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, the deemed cost is the carrying amount of the asset(s) given up.

### 1.16.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### 1.16.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	Years
Computer Software	5-10
Computer Software Licenses	5-10

### 1.16.4 De-recognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.16.5 Application of deemed cost (Directive 7)

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated replacement cost method was used to establish the deemed cost as on 1 July 2007.

## 1.17. INVESTMENT PROPERTY

### 1.17.1 Initial Recognition

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### 1.17.2 Subsequent Measurement – Fair Value Model

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

### 1.17.3 De-recognition

Investment property is derecognised when it is disposed of or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.17.4 Application of deemed cost - Directive 7

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2007.

## 1.18. NON-CURRENT ASSETS HELD FOR SALE

### 1.18.1 Initial Recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### 1.18.2 Subsequent Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

## **1.19. IMPAIRMENT OF NON-FINANCIAL ASSETS**

### **1.19.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

### **1.19.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- **depreciated replacement cost approach** - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- **restoration cost approach** - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- **service unit approach** - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

**Fair value less costs to sell** is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

### 1.20. NON CURRENT INVESTMENTS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

### 1.21. INVENTORIES

#### 1.21.1 *Initial Recognition*

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### 1.21.2 *Subsequent Measurement*

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

Cost of land held for sale is assigned by using specific identification of their individual costs

### 1.22. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange transactions and non-exchange transactions).

#### 1.22.1 *Initial Recognition*

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

## 1.22.2 Subsequent Measurement

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

### 1.22.2.1 Receivables

Receivables are classified as loans and receivables, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

### 1.22.2.2 Payables and Annuity Loans

Financial Liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

### 1.22.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities; other financial liabilities carried at amortised cost.

### **1.22.3 De-recognition of Financial Instruments**

#### **1.22.3.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the municipality has transferred substantially all the risks and rewards of the asset, or (b) the municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **Financial Liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.22.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### 1.23. REVENUE

#### 1.23.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

After a period of twelve months all unclaimed deposits into the municipality's bank account will be treated as revenue as historical patterns have indicated that minimal unidentified deposits are reclaimed after a period of twelve months. This assessment is performed annually at 30 June. Therefore the substance of these transactions indicate that even though the prescription period for unclaimed monies is legally three years, it is reasonable to recognise all unclaimed monies older than twelve months as revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When

a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

### **1.23.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered/goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. An adjustment is made at year-end for unused units, if material.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sewerage are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property.

Service charges from sewerage are based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

### 1.23.3 Grants, Transfers and Donations (Non-Exchange Revenue)

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

## 1.24. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

### (a) Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2<sup>nd</sup> and 3<sup>rd</sup> bullet, or over which such a person is able to exercise significant influence.

### (b) Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer or all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

### 1.25. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted or is expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or is expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.25. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.23. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.27. CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

### 1.28. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

#### *Post Retirement Medical Obligations and Long Service Awards*

The cost of post retirement medical obligations and long service awards are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### ***Impairment of Receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

#### ***Property, Plant and Equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

#### ***Intangible Assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

#### ***Investment Property***

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

***Provisions and Contingent Liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

***Revenue Recognition***

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

***Provision for Landfill Sites***

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the net present value of the expected future cash flows to rehabilitate the landfill site at year end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset is charged to the Statement of Financial Performance.

***Provision for Task Implementation and Back Pay***

The provision at 30 June 2010 for Task Implementation represents the municipality's obligation towards qualifying officials as a result of a new national grading system for municipalities which came into effect on 1 October 2009. The calculation was based on the difference between the current basic salary compared to the basic salary as per new TASK grading. The difference between these two packages was backdated to the implementation date of the TASK grading system.

The provision at 30 June 2011 for Back Pay represents the municipality's obligation towards Section 57 Directors as a result of an amendment in their employment contracts. The calculation was based actual remuneration paid versus the requirements of the amended packages.

***Provision for Performance bonuses***

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by council.

***Provision for Staff leave***

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

***Pre-paid electricity estimation***

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables and if considered material) represents the best estimate of electricity sold at year end, that is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days worth of unused electricity.

***Componentisation of infrastructure assets***

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

**1.29. TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.30. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>NET ASSET RESERVES</b>		
Revaluations Reserve	11 158 486	7 913 567
Social Contributions Reserve	39 200	30 650
<b>Total Net Asset Reserves</b>	<b>11 197 686</b>	<b>7 944 217</b>

### 3 LONG-TERM LIABILITIES

Annuity Loans - At amortised cost	85 486 686	62 777 360
Balance previously reported	-	49 464 869
Transfer from Stock loans	-	33 177 960
Transfer to Stock loans	(19 865 289)	-
Capitalised lease Liability - At amortised cost	48 289	172 887
Stock loans	19 865 289	19 865 289
Current Portion transferred to Current Liabilities	-	33 177 960
Annuity Loans - At amortised cost	105 400 285	82 815 546
Capitalised Lease Liability - At amortised cost	(5 271 484)	(4 710 598)
<b>Total Long-term Liabilities - At amortised cost using the effective interest rate method</b>	<b>(5 223 195)</b>	<b>(4 577 571)</b>
	(48 289)	(19 865 289)
	<b>100 126 801</b>	<b>78 114 948</b>

Refer below for maturity dates of long term liabilities:

The obligations under annuity loans are scheduled below:

	Minimum annuity payments
Amounts payable under annuity loans:	
Payable within one year	6 579 370
Payable within two to five years	20 285 923
Payable after five years	70 496 704
<b>Present value of annuity obligations</b>	<b>97 351 996</b>
	<b>74 642 660</b>

Annuity loans at amortised cost is calculated at 9.46% - 16.5% interest rate, with first maturity date of 31 December 2009 and last maturity date of 31 December 2030.

The obligations under finance leases are scheduled below:

Amounts payable under finance leases:

	Minimum lease payments
Payable within one year	49 696
Payable within two to five years	-
<b>Lease: Future finance obligations</b>	<b>49 696</b>
<b>Present value of lease obligations</b>	<b>(1 609)</b>
	<b>48 289</b>
	<b>172 887</b>

Leases are secured by property, plant and equipment - Note 13

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

The obligations under stock loans are scheduled below:

	2011 R	2010 R
	Minimum stock loan payments	
Amounts payable under stock loans:		
Payable within one year	1 000 000	1 000 000
Payable within two to five years	7 000 000	7 000 000
Payable after five years	8 000 000	8 000 000
<b>Present value of stock loan obligations</b>	<b>21 379 105</b>	<b>21 379 105</b>

Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.

Leases are secured by property, plant and equipment - Note 13

#### EMPLOYEE BENEFITS

Post Retirement Benefits - Refer to Note 4.1  
Long Service Awards - Refer to Note 4.2

#### Total Non-current Employee Benefit Liabilities

	25 621 820	18 973 693
	2 897 284	2 405 412
<b>Total</b>	<b>28 519 104</b>	<b>21 379 105</b>

#### Post Retirement Benefits

Balance 1 July  
Contribution for the year  
Interest Cost  
Expenditure for the year  
Actuarial Loss(Gain)

#### Total post retirement benefits 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

	19 691 820	17 762 314
	1 069 294	2 585 722
	1 761 631	-
	(781 450)	(669 706)
	4 723 205	3 430
	<b>26 514 500</b>	<b>19 691 820</b>
	(892 680)	(718 127)
<b>Total</b>	<b>25 621 820</b>	<b>18 973 693</b>

#### Long Service Awards

Balance 1 July  
Contribution for the year  
Interest Cost  
Expenditure for the year  
Actuarial Loss(Gain)

#### Total long service 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

	2 654 371	2 306 200
	407 235	574 328
	232 181	(293 712)
	(228 867)	(187 137)
	187 137	67 555
	<b>3 252 067</b>	<b>2 654 371</b>
	(354 783)	(248 959)
<b>Total</b>	<b>2 897 284</b>	<b>2 405 412</b>

#### TOTAL NON-CURRENT EMPLOYEE BENEFITS

Balance 1 July  
Contribution for the year  
Interest cost  
Expenditure for the year  
Actuarial Loss(Gain)

#### Total employee benefits 30 June

Less: Transfer of Current Portion - Note 7

Balance 30 June

	22 346 191	20 068 574
	1 506 520	3 170 050
	1 993 822	(963 418)
	(980 318)	4 910 343
	4 910 343	70 985
	<b>24 766 567</b>	<b>22 346 191</b>
	(1 247 463)	(967 086)
<b>Total</b>	<b>23 519 104</b>	<b>21 379 105</b>

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### **EMPLOYEE BENEFITS (CONTINUE)**

**4.1**

##### **Post Retirement Benefits**

The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:

	2011 R	2010 R
In-service (employee) members	146	149
In-service (employee) non-members	447	447
Contributed members (e.g. Retirees, widows, orphans)	28	26
<b>Total Members</b>	<b>622</b>	<b>622</b>

The liability in respect of past service has been estimated to be as follows:

	2009 R	2009 R	2007 R
In-service members	14 414 000	9 874 750	
Contributed members	12 100 500	9 817 030	
<b>Total Liability</b>	<b>26 514 500</b>	<b>19 691 780</b>	

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2009 R	2009 R	2007 R
Members	17 782 374	14 781 876	13 577 334
<b>Total Liability</b>	<b>17 782 374</b>	<b>14 781 876</b>	<b>13 577 334</b>

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

Bonitas;  
LA Health;  
Samumed; and  
KeyHealth.

Key actuarial assumptions used:

	2011 %	2010 %
Discount rate	8.65%	9.11%
Health Care Cost Inflation Rate	7.32%	7.78%
Net Effective Discount Rate	1.24%	1.23%

##### **i) Rate of interest**

Discount rate  
Health Care Cost Inflation Rate  
Net Effective Discount Rate

##### **ii) Mortality rates**

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

##### **iii) Normal retirement age**

It has been assumed that in-service members will retire at age 60, which then implicitly allows for expected rates of early and ill-health retirement.

	2011 R	2010 R
Present value of fund obligations	28 514 500	19 691 820
<b>Net liability(asset)</b>	<b>26 514 500</b>	<b>19 691 820</b>

The amounts recognised in the Statement of Financial Position are as follows:

	2011 R	2010 R
Present value of fund obligations	28 514 500	19 691 820
<b>Net liability(asset)</b>	<b>26 514 500</b>	<b>19 691 820</b>

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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#### **EMPLOYEE BENEFITS (CONTINUE)**

##### **Reconciliation of present value of fund obligation:**

	2011 R	2010 R
Present value of fund obligation at the beginning of the year	19 691 820	17 762 374
Total expenses	2 089 475	1 926 016
Current service cost	1 059 294	1 057 524
Interest Cost	1 761 631	1 588 198
Benefits Paid	(761 450)	(688 706)
Actuarial (gains) Losses	4 723 205	3 430
Present value of fund obligation at the end of the year	26 514 500	19 691 820
<b>Less:</b> Transfer of Current Portion - Note 7	(892 680)	(718 127)
<b>Balance 30 June</b>	<b>25 621 820</b>	<b>19 691 820</b>

##### **Sensitivity Analysis on the Accrued Liability**

Assumption	In-service members liability (Rm)	Continuation members liability (Rm)	Total liability (Rm)
Central Assumptions	14 414	12 101	26 515
The effect of movements in the assumptions are as follows:			
Assumption	Change		
Health care inflation	+1%		
Health care inflation	-1%		
Post-retirement mortality	-1 year		
Average retirement age	-1 year		
Withdrawal Rate	-50%		
In-service members liability (Rm)			
Health care inflation	17 342	13 388	30 730
Health care inflation	12 100	10 990	23 080
Post-retirement mortality	14 881	12 575	27 456
Average retirement age	15 869	12 101	27 770
Withdrawal Rate	16 062	12 101	28 163
Continuation members liability (Rm)			
Health care inflation	13 388	10 990	18%
Health care inflation	12 100	10 990	-13%
Post-retirement mortality	12 575	12 101	4%
Average retirement age	12 101	12 101	5%
Withdrawal Rate	12 101	12 101	6%
2011	578	542	
R			

#### 4.2 Long Service Bonuses

##### The Long Service Bonus plans are defined benefit plans.

As at year end, the following number of employees were eligible for Long Service Bonuses:

	2011 %	2010 %
	578	542

Key actuarial assumptions used:

##### i) Rate of Interest

Discount rate	7.89%	9.17%
General Salary Inflation (long-term)	6.30%	6.56%
Net Effective Discount Rates applied to salary-related Long Service Bonuses	1.50%	2.45%

The amounts recognised in the Statement of Financial Position are as follows:

	2011 R	2010 R
Present value of fund obligations	3 252 067	2 654 371
<b>Net liability</b>	<b>3 252 067</b>	<b>2 654 371</b>

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### **EMPLOYEE BENEFITS (CONTINUE)**

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

<b>Total Liability</b>	2009 R	2008 R	2007 R
<b>2 306 200</b>	<b>1 868 134</b>	<b>1 723 058</b>	

#### **Reconciliation of present value of fund obligation:**

Present value of fund obligation at the beginning of the year	2 654 371	2 306 200
Total expenses	410 569	280 616
Current service cost	407 235	373 935
Interest Cost	232 191	201 293
Benefits Paid	(228 867)	(293 712)
Actuarial (gains)losses	187 137	67 555
<b>Less:</b> Transfer of Current Portion - Note 7	<b>(354 783)</b>	<b>(243 959)</b>
<b>Balance 30 June</b>	<b>2 897 264</b>	<b>2 405 412</b>

#### **Sensitivity Analysis on the Unfunded Accrued Liability**

<b>Assumption</b>	<b>Change</b>	<b>Liability (R)</b>	<b>% change</b>
Central assumptions	3.252	3.497	8%
General salary inflation	1%	3.033	-7%
Average retirement age	-1%	2.776	-12%
Average retirement age	-2 yrs	3.631	12%
Withdrawal rates	2.7%	4.119	27%
Retirement funds			

#### **4.3 CAPE JOINT PENSION FUND**

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claim that the pensioner data to be confidential and were not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although both the Cape Joint Pension Fund and Cape Joint Retirement Fund are defined as defined benefit plans, it will be accounted for as defined contribution plans.

#### **CAPE JOINT PENSION FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in an sound financial position with a funding level of 100% (30 June 2009 - 100%). Actuarial valuations also determined that there were a shortfall in the investment return for the 30 June 2010 financial year.

#### **CAPE RETIREMENT FUND**

The contribution rate payable is 9% by members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2010 revealed that the fund is in a sound financial position with a funding level of 100.3% (30 June 2009 - 103.3%).

#### **DEFINED CONTRIBUTION FUNDS**

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, MATU Retirement Fund and SAMTU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

The Municipal Councillors Pension Fund operates as a defined contribution scheme. The contribution rate paid by the members (13.75%) and council (15%) is sufficient to fund the benefits accruing from the fund in the future.

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
<b>NON-CURRENT PROVISIONS</b>		
Provision for Rehabilitation of Landfill-sites	22 608 530	21 234 545

<b>Total Non-current Provisions</b>	<b>22 608 530</b>	<b>21 234 545</b>
-------------------------------------	-------------------	-------------------

**Landfill Sites**

Balance 1 July

Balance previously reported

First time recognition of Capitalised Restoration Cost - At Cost Note 31.02

Contribution for the year

Total provision 30 June

Less: Transfer of Current Portion to Current Provisions - Note 8

Balance 30 June

21 386 128	20 349 157
-	-
1 373 985	1 038 971
22 760 113	21 388 128
(151 583)	(151 583)
<b>22 608 530</b>	<b>21 234 545</b>

**CONSUMER DEPOSITS**

Water & Electricity

Total Consumer Deposits

Guarantees held in lieu of Electricity and Water Deposits

3 149 348	2 942 496
3 149 348	2 942 496
<b>266 050</b>	<b>266 050</b>

The fair value of consumer deposits approximate their carrying value. Interest are not paid on these amounts.

**CURRENT EMPLOYEE BENEFITS**

Current Portion of Post Retirement Benefits - Note 4  
Current Portion of Long Service Provisions - Note 4  
Staff Leave

Performance Bonuses

Compensation for Injuries on duty contribution

Pension fund shortfall

Pension

Group Insurance

Task Implementation

Total Current Employee Benefits

Staff Leave		
Balance at beginning of year	892 680	718 127
Contribution to current portion	354 783	248 959
Expenditure incurred	7 285 790	6 031 105
Balance at end of year	<b>89 487</b>	<b>72 319</b>

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

**Performance Bonuses**

Balance at beginning of year	6 031 105	5 222 716
Contribution to current portion	1 777 748	1 266 900
Expenditure incurred	(513 062)	(438 511)
Balance at end of year	<b>7 285 791</b>	<b>6 031 105</b>

Performance bonuses are being paid to Municipal Manager and Directors after an evaluation of performance by the council. There is no possibility of reimbursement.

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

7

#### CURRENT EMPLOYEE BENEFITS (CONTINUE)

##### Compensation for injuries on duty contribution

	2011 R	2010 R
Balance at beginning of year	493 883	-
Contribution to current portion	588 502	493 883
<b>Balance at end of year</b>	<b>1 082 385</b>	<b>493 883</b>

The balance on the compensation for injuries on duty contribution represents the current liability of the municipality that has not yet been paid over to the relevant authorities. There is no possibility of reimbursement.

##### Pension Fund shortfall

	2011 R	2010 R
Balance at beginning of year	646 326	646 326
Contribution to current portion	103 391	-
Interest on after account	749 717	546 326
<b>Balance at end of year</b>	<b>749 717</b>	<b>546 326</b>

The Cape Joint Pension Fund's rules determine that the employer must contribute any shortfall if investment revenue does not realise 5%. The fund indicated that the municipality's share of the shortfall must be paid within 1 financial year.

##### Pension

	2011 R	2010 R
Balance at beginning of year	48 478	48 478
Contributions to current portion	80 126	-
<b>Balance at end of year</b>	<b>128 604</b>	<b>48 478</b>

Pension payments to staff who did not belong to a pension fund in 1994, according to a formula prescribed by a collective agreement. Payment of the amount will occur when respective employees retire. There is no possibility of reimbursement.

##### Group Insurance

	2011 R	2010 R
Fair Value at beginning of year	70 932	16 503
Fair Value adjustment during the year	18 555	54 429
<b>Fair value at end of year</b>	<b>89 487</b>	<b>70 932</b>

Shares accounting and to be apportioned to staff contributing to the Sanlam Group insurance scheme. The timing of the payment is uncertain. The possibility of reimbursement is being investigated.

##### Task implementation

	2011 R	2010 R
Balance at beginning of year	725 308	-
Contribution to current portion	(725 308)	-
Expenditure incurred	-	-
<b>Balance at end of year</b>	<b>725 308</b>	<b>-</b>

An agreement was reached on the implementation of a national salary grading structure with backpay paid in the 2010/2011 financial year for 9 months of the 2009/2010 financial year. There is no possibility of reimbursement.

#### PROMPTIONS

	2011 R	2010 R
Current Portion of Rehabilitation of Landfillsites - Note 4 (Restated 2010)	151 583	151 583
<b>Total Provisions</b>	<b>151 583</b>	<b>151 583</b>

8

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**9 PAYABLES FROM EXCHANGE TRANSACTIONS**

	2011 R	2010 R
Trade Payables		
Interest accrued	10 774 673	7 303 474
Payments received in advance	974 697	808 985
Retention	2 532 572	2 392 187
Balance previously reported	5 483 602	4 208 670
Correction of error - Note 37.08	3 577 361	631 310
Sundry Deposits	598 903	793 483
Correction of error - Land Sales deposits - Note 37.08	1 206 336	977 225
<b>Total Trade Payables</b>	<b>21 570 773</b>	<b>17 074 924</b>

Payables are being recognised net of any discounts.

Payables are being paid within 30 days as prescribed by the MFMA. Payables are being recognised net of any discounts.

The carrying value of trade and other payables approximates its fair value.

Sundry deposits include Hall, Builders and Housing Deposits.

**10 UNSPENT C CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

	2 328 784	7 148 626
National Government Grants		
Provincial Government Grants	1 920 130	5 801 027
Other Grant Providers	253 344	12 454 432
Less: Unpaid Grants	155 309	23 167
Provincial Government Grants	182 255	29 538
Other Grant Providers	- 182 255	- 29 538
<b>Total Conditional Grants and Receipts</b>	<b>2 146 528</b>	<b>7 119 088</b>

See appendix 'D' for reconciliation of grants from other spheres of government. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

**11 UNSPENT PUBLIC CONTRIBUTIONS**

HAN	85 632	-
<b>Total Unspent Public Contributions</b>	<b>85 632</b>	<b>-</b>

**Reconciliation of public contributions**

HAN	944 868	-
Opening balance	(859 235)	-
Contributions received	85 632	-
Conditions met - Transferred to revenue	-	-
Closing balance	85 632	-

Upfrontment of previously disadvantaged communities

**12 TAXES**

**12.1 VAT PAYABLE**

VAT Payable	10 559 794	8 732 487
Less: Contribution to provision for impairment of trade receivables from exchange transactions	(9 898 772)	(7 698 944)
<b>Total VAT payable</b>	<b>661 022</b>	<b>1 033 543</b>

**12.2 VAT RECEIVABLE**

	1 666 392	3 429 592
VAT Receivable	1 666 392	3 429 592
<b>Total VAT receivable</b>	<b>1 666 392</b>	<b>3 429 592</b>

**12.3 NET VAT RECEIVABLE(PAYABLE)**

VAT is recoverable/payable on the cash basis.

**13 PROPERTY, PLANT AND EQUIPMENT**

## THEEWATERSKLOOF MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

## 13 PROPERTY, PLANT AND EQUIPMENT

30 JUNE 2011

## Reconciliation of Carrying Value

	Cost								Accumulated Depreciation and Impairment Losses					Carrying Value R	
	Opening Balance R	Residual Value Opening Balance R	Additions R	Revaluations R	Residual Value Additions R	Impairments R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Revaluation Reversal R	Disposals R	Closing Balance R		
<b>Land and Buildings</b>	<b>103 107 466</b>	-	<b>270 572</b>	<b>2 651 414</b>	-	(294 344)	-	<b>105 735 100</b>	-	<b>593 485</b>	(593 485)	-	-	<b>105 735 100</b>	
Land	45 509 468	-	-	2 570 832	-	(11 500)	-	48 068 800	-	-	-	-	-	48 068 800	
Buildings	57 597 990	-	270 572	80 582	-	(282 844)	-	57 666 300	-	593 485	(593 485)	-	-	57 666 300	
<b>Infrastructure</b>	<b>287 222 753</b>	-	<b>41 377 267</b>	-	-	-	-	<b>328 600 021</b>	<b>60 961 656</b>	<b>4 057 862</b>	-	-	-	<b>65 019 518</b>	<b>263 580 502</b>
Roads and Storm water	90 629 860	-	9 178 456	-	-	-	-	99 809 316	27 345 041	1 769 869	-	-	-	29 114 910	70 694 408
Electricity Network	28 421 248	-	3 519 541	-	-	-	-	31 940 789	6 333 244	-	-	-	-	-	-
Sewerage Network	70 696 076	-	4 940 829	-	-	-	-	75 638 905	11 107 418	818 296	-	-	-	11 926 714	63 710 191
Water Network	88 207 014	-	14 134 948	-	-	-	-	102 341 962	15 856 668	980 062	-	-	-	16 835 750	85 506 211
Refuse Removal	383 832	-	-	-	-	-	-	383 832	141 390	15 852	-	-	-	157 241	226 591
<b>Community Assets</b>	<b>10 186 968</b>	-	<b>683 020</b>	-	-	-	-	<b>10 869 988</b>	<b>5 069 794</b>	<b>401 625</b>	-	-	-	<b>5 471 419</b>	<b>5 398 669</b>
Recreation Grounds	2 896 915	-	683 020	-	-	-	-	3 579 936	1 047 105	130 226	-	-	-	1 177 331	2 402 603
Community Halls	839 927	-	-	-	-	-	-	839 927	402 010	27 980	-	-	-	429 990	409 938
Libraries	3 894 000	-	-	-	-	-	-	3 894 000	2 336 329	129 717	-	-	-	2 466 046	1 427 954
Parks & Gardens	1 753 024	-	-	-	-	-	-	1 753 024	1 004 398	86 949	-	-	-	1 091 307	881 718
Cemeteries	903 102	-	-	-	-	-	-	603 102	279 992	26 753	-	-	-	306 745	496 357
<b>Lease Assets</b>	<b>1 784 991</b>	-	-	-	-	-	(1 278 100)	<b>506 881</b>	<b>584 608</b>	<b>15 971</b>	-	(489 123)	<b>111 457</b>	<b>395 434</b>	
<b>Office Equipment</b>	<b>1 784 991</b>	-	-	-	-	-	(1 278 100)	<b>506 881</b>	<b>584 608</b>	<b>15 971</b>	-	(489 123)	<b>111 457</b>	<b>395 434</b>	
<b>Other Assets</b>	<b>34 849 584</b>	-	<b>2 292 154</b>	-	-	-	-	<b>36 941 718</b>	<b>7 236 346</b>	<b>1 589 701</b>	-	-	-	<b>8 829 046</b>	<b>28 112 671</b>
Vehicles	4 149 488	-	105 056	-	-	-	-	4 254 544	871 141	202 579	-	-	-	1 073 721	3 190 824
Tools & Equipment	1 897 451	-	880 275	-	-	-	-	2 577 726	225 408	189 023	-	-	-	394 432	2 183 295
Furniture	1 019 670	-	128 859	-	-	-	-	1 148 530	225 240	53 205	-	-	-	278 445	870 084
Equipment	2 160 096	-	442 679	-	-	-	-	2 602 774	841 241	180 778	-	-	-	822 017	1 780 758
Special Vehicles	21 721 486	-	119 581	-	-	-	-	21 841 048	4 471 807	703 506	-	-	-	5 175 313	16 686 735
Tables	288 539	-	50 636	-	-	-	-	339 075	81 402	18 062	-	-	-	97 454	241 821
Chairs	547 856	-	101 670	-	-	-	-	649 528	95 113	28 919	-	-	-	124 032	625 496
Office Equipment	1 270 047	-	184 208	-	-	-	-	1 454 255	294 540	101 611	-	-	-	396 160	1 058 104
Computer Hardware	1 594 949	-	310 780	-	-	-	-	1 906 729	333 462	131 156	-	-	-	464 608	1 441 120
Other	-	-	168 510	-	-	-	-	168 510	-	2 874	-	-	-	2 874	165 635
	436 951 735	-	44 823 013	2 651 414	-	(294 344)	(1 278 100)	482 653 718	73 855 403	8 658 644	(593 485)	(489 123)	79 431 440	403 222 278	

## THEEWATERSKLOOF MUNICIPALITY

## NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

30 JUNE 2010

## Reconciliation of Carrying Value

	Cost								Accumulated Depreciation and Impairment Losses					Carrying Value R	
	Opening Balance R	Residual Value R	Additions			Residual Value and Disposals R	Impairment and Disposals R	Residual Value Disposals R	Closing Balance R	Opening Balance R	Additions	Revaluation Reversal R	Disposals R	Closing Balance R	
			Residual Value R	Additions R	Revaluations R										
<b>Land and Buildings</b>	<b>86 870 244</b>	<b>-</b>	<b>1 082 925</b>	<b>8 220 248</b>	<b>-</b>	<b>(165 960)</b>	<b>-</b>	<b>103 107 458</b>	<b>1 129 220</b>	<b>564 099</b>	<b>(1 693 319)</b>	<b>-</b>	<b>-</b>	<b>103 107 458</b>	
Land	39 550 949	-	-	5 958 519	-	-	-	45 509 468	-	-	-	-	-	45 509 468	
Buildings	56 419 295	-	1 082 925	261 729	-	(165 960)	-	57 587 990	1 129 220	564 099	(1 693 319)	-	-	57 587 990	
<b>Infrastructure</b>	<b>260 530 948</b>	<b>-</b>	<b>28 691 805</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>287 222 783</b>	<b>56 981 772</b>	<b>3 979 885</b>	<b>-</b>	<b>-</b>	<b>60 981 686</b>	<b>226 281 097</b>	
Roads and Storm water	77 947 055	-	12 682 805	-	-	-	-	90 629 860	25 575 172	1 769 869	-	-	27 345 041	63 284 019	
Electricity Network	21 506 499	-	6 814 749	-	-	-	-	28 421 248	5 950 855	382 389	-	-	6 333 244	22 088 004	
Sewerage Network	70 232 821	-	463 255	-	-	-	-	70 696 076	10 290 092	817 326	-	-	11 107 418	59 588 657	
Water Network	65 796 350	-	2 410 684	-	-	-	-	88 207 014	14 950 877	905 012	-	-	15 855 688	72 351 325	
Refuse Removal	383 832	-	-	-	-	-	-	383 832	125 538	15 852	-	-	141 390	242 443	
<b>Community Assets</b>	<b>9 914 523</b>	<b>-</b>	<b>272 445</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10 186 968</b>	<b>4 716 115</b>	<b>353 679</b>	<b>-</b>	<b>-</b>	<b>5 068 794</b>	<b>5 117 178</b>	
Recreation Grounds	2 624 470	-	272 445	-	-	-	-	2 896 915	964 825	82 280	-	-	1 047 106	1 049 810	
Community Halls	839 927	-	-	-	-	-	-	839 927	374 030	27 960	-	-	402 010	437 917	
Libraries	3 684 000	-	-	-	-	-	-	3 684 000	2 206 612	129 717	-	-	2 336 329	1 557 671	
Parks & Gardens	1 753 024	-	-	-	-	-	-	1 753 024	917 409	86 949	-	-	1 004 356	748 667	
Commetaries	803 102	-	-	-	-	-	-	803 102	253 239	26 753	-	-	279 992	523 110	
<b>Lease Assets</b>	<b>1 729 820</b>	<b>-</b>	<b>55 171</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 784 991</b>	<b>483 539</b>	<b>101 069</b>	<b>-</b>	<b>-</b>	<b>584 606</b>	<b>1 200 382</b>	
Office Equipment	1 729 820	-	55 171	-	-	-	-	1 784 991	483 539	101 069	-	-	584 606	1 200 382	
<b>Other Assets</b>	<b>30 898 425</b>	<b>1 434 108</b>	<b>3 228 285</b>	<b>-</b>	<b>113 825</b>	<b>(969 894)</b>	<b>(63 184)</b>	<b>34 649 564</b>	<b>7 002 003</b>	<b>1 225 254</b>	<b>-</b>	<b>(987 912)</b>	<b>7 239 345</b>	<b>27 410 219</b>	
Vehicles	3 375 638	378 556	430 797	-	29 845	(58 812)	(6 634)	4 149 488	764 089	172 399	-	(65 346)	971 141	3 278 347	
Tools & Equipment	1 529 245	-	368 707	-	-	(1 500)	-	1 897 451	144 850	82 058	-	(1 500)	225 408	1 672 043	
Furniture	879 281	-	140 389	-	-	-	-	1 019 670	183 731	41 510	-	-	225 240	794 430	
Equipment	2 026 859	-	146 637	-	-	(15 400)	-	2 160 098	520 900	134 604	-	(14 263)	641 241	1 518 855	
Special Vehicles	20 003 289	1 055 563	1 511 644	-	83 980	(886 350)	(48 650)	21 721 466	4 754 670	616 262	-	(899 126)	4 471 807	17 249 659	
Tables	288 539	-	-	-	-	-	-	288 539	67 179	14 223	-	-	81 402	207 137	
Chairs	449 904	-	99 657	-	-	(1 702)	-	547 856	76 968	19 893	-	(1 548)	95 113	452 745	
Office Equipment	939 384	-	331 513	-	-	(850)	-	1 270 047	235 870	59 519	-	(850)	294 540	975 507	
Computer Hardware	1 404 286	-	195 943	-	-	(5 280)	-	1 594 949	253 747	84 985	-	(5 280)	333 452	1 261 497	
	<b>399 041 959</b>	<b>1 434 108</b>	<b>31 330 632</b>	<b>6 220 248</b>	<b>113 825</b>	<b>(1 135 854)</b>	<b>(53 184)</b>	<b>436 681 738</b>	<b>70 312 649</b>	<b>6 223 985</b>	<b>(1 693 319)</b>	<b>(987 912)</b>	<b>73 855 403</b>	<b>363 096 331</b>	

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

2011  
R

2010  
R

**Assets pledged as security:**

No property, plant and equipment, save for those financed from finance leases, are pledged as security for finance.

**Third party payments received for losses incurred:**

Payments received (Excluding VAT)

414 278

523 081

Surplus/Deficit

414 278

523 081

**Impairment of property plant and equipment for the year**

Impairment charges on Property, plant and equipment recognised in statement of financial performance

294 344

-

Land and Buildings

294 344

-

The current economic climate with resultant declining property values is the main reason for impairment charges.

Fair value of Land and Buildings was determined by a registered Valuer - Mr De Kock.

**Effect of changes in accounting estimates**

All changes in accounting estimates were now recognised retrospectively as correction of errors, as it relates to original incorrect useful lives incorrectly allocated and now corrected in terms of the implementation requirements of Directive 4. Future changes in useful lives will be measured prospectively in accordance with GRAP 3.

**14 CAPITALISED RESTORATION COST**

Net Carrying amount at 1 July

Cost

664 967

922 049

Balance previously reported

3 432 613

3 432 613

First time recognition of Capitalised Restoration Cost - At Cost - Note 37.01

(2 749 169)

(2 510 564)

Accumulated Depreciation

(18 457)

(2 510 564)

Balance previously reported

(231 331)

(238 625)

First time recognition of Capitalised Restoration Cost - Backlog Depreciation - Note 37.01

(59 998)

(18 457)

Accumulated Impairments

-

(18 457)

Acquisitions

-

-

Depreciation for the year

(238 625)

-

Balance previously reported

(231 331)

-

Recognition of Depreciation for 2009/2010 - Note 37.01

(238 625)

-

Impairment for the year

(59 998)

(18 457)

Balance previously reported

(18 457)

-

Recognition of Depreciation for 2009/2010 - Note 37.01

(18 457)

-

Net Carrying amount at 30 June

373 638

664 967

Cost

3 432 613

3 432 613

Accumulated Depreciation

(2 980 520)

(2 749 169)

Accumulated Impairments

(78 455)

(18 457)

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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#### INVESTMENT PROPERTY

	2011 R	2010 R
<b>Net Carrying amount at 1 July</b>	<b>228 757 273</b>	<b>217 960 428</b>
Cost - Balance previously reported	228 757 273	217 960 428
Correction of error - Note 37.04	-	-
Accumulated Depreciation	(3 577 514)	(16 306 561)
Correction of error - Note 37.04	-	-
Disposals	-	-
Depreciation for the year	(551 439)	(561 439)
Correction of error - Note 37.04	-	-
Fair Value Adjustments - Impairment	(1 252 750)	(392 416)
Revaluation Increase	11 430 821	-
Correction of error - Note 37.04	-	11 247 279
<b>Net Carrying amount at 30 June</b>	<b>235 357 830</b>	<b>228 757 273</b>
Cost	235 357 830	228 757 273

Since the previous reporting date the following Investment Property were measured in accordance with GRAP 16 and restated retrospectively:

Cost	-	171 933 054
Accumulated Depreciation	-	16 858 000
Total not previously recognised now restated retrospectively	-	171 933 054

There are no restrictions on the realisability of Investment Property or the remittance of revenues and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

Revenue derived from the rental of investment property

Operating expenditure incurred on properties	8 529 289	8 174 642
	1107 076	1 957 694

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#### INTANGIBLE ASSETS

##### Computer Software

<b>Net Carrying amount at 1 July</b>	<b>2 286 104</b>	<b>1 235 119</b>
Cost - Restated 2010 - Note 37.03	2 724 103	1 491 356
Accumulated Amortisation - Restated 2010 - Note 37.03	(437 989)	(256 238)
Additions	46 549	1 232 747
Amortisation - Restated 2010 - Note 37.03	(273 940)	(181 762)
<b>Net Carrying amount at 30 June</b>	<b>2 059 713</b>	<b>2 286 104</b>
Cost	2 770 652	2 724 103
Accumulated Amortisation	(711 939)	(437 989)

The municipality previously opted to take advantage of the transitional provisions as contained in Directive 4 of the Accounting Standards Board, issued in February 2008. The municipality did not measure all the Intangible Assets in accordance GRAP 102.

Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:

Computer software;	850 510
Accumulated amortisation on computer software reversed	42 851
	803 361

Total not previously recognised now restated retrospectively

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### **16 INTANGIBLE ASSETS (CONTINUED)**

The following material intangible assets are included in the carrying value above

Description	Remaining Amortisation Period	Carrying Value	
		2011 R	2010 R
Computer software	5	2 058 713	2 286 104

No intangible asset were assessed having an indefinite useful life.

There are no internally generated intangible assets at reporting date.

There are no intangible assets whose title is restricted.

There are no intangible assets pledged as security for liabilities.

There are no contractual commitments for the acquisition of intangible assets.

#### **17 LONG-TERM RECEIVABLES**

Officials' Housing Loans - At amortised cost	52 414	56 086
Sport Club and Other Loans - At amortised cost	-	2 477
<b>Less:</b> Unamortised Discount on Loans	<b>52 414</b>	<b>53 563</b>
	(17 008)	(8 463)
Balence 1 July Adjustment for the period		
<b>Less:</b> Current portion transferred to current receivables	<b>(8 463)</b>	<b>(15 159)</b>
Officials' Housing Loans - At amortised cost	1 485	6 697
Sport Club and Other Loans - At amortised cost	(4 241)	(3 844)
Total Long Term Receivables	<b>45 406</b>	<b>50 101</b>
	(4 241)	(6 320)
	41 165	43 780
	<b>41 165</b>	<b>43 780</b>

#### **HOUSING LOANS**

Housing loans are not granted to officials of the municipality. The outstanding amount relates to prior years and is still collectable. Staff were entitled to housing loans which attract interest at 3-10% per annum and which are repayable over a maximum period of 20 years. These loans are repayable up to the year 2020.

#### **SPORT CLUB AND OTHER LOANS**

Sport Club loans are not anymore granted by the municipality. The outstanding amount relates to the Caledon Child and Family Care Organisation which is repayable in 2011. Loans to the value of R 96 000 for Sport Clubs were written off in 2009/2010.

All remaining amounts are collectable.

#### **18 INVENTORY**

Maintenance Materials - At cost	1 614 179	1 438 579
Correction of error: Maintenance materials - Note 37.07	-	
Water - at cost	269 690	97 479
<b>Total Inventory</b>	<b>1 883 869</b>	<b>1 536 058</b>

A reconciliation of water losses is included in Note 44.4

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## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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#### RECEIVABLES FROM EXCHANGE TRANSACTIONS

	2011 R	2010 R
Electricity	5 994 270	5 381 139
Water	28 621 845	28 773 042
Refuse	21 413 706	19 550 640
Sewerage	21 058 828	20 654 541
Other	16 940 902	4 198 571
<b>Total Receivables from Exchange Transactions</b>	<b>89 289 552</b>	<b>79 538 932</b>
Less: Allowance for Doubtful Debts	(66 893 053)	(62 837 072)
<b>Total Net Receivables from Exchange Transactions</b>	<b>22 370 459</b>	<b>16 701 860</b>

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and regulation. Discounting of trade and other receivables on initial recognition is not deemed necessary.

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

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#### RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Rates	21 967 283	25 021 036
Other Receivables	4 304 052	2 855 380
Accrued Earnings	423 483	403 629
<b>Total Receivables from Non-Exchange Transactions</b>	<b>26 694 798</b>	<b>28 280 046</b>
Less: Allowance for Doubtful Debts	(23 129 545)	(21 725 151)
<b>Total Net Receivables from Non-Exchange Transactions</b>	<b>3 565 253</b>	<b>6 554 895</b>

#### Ageing of receivables

Current (0 - 30 days)	12 193 409	12 512 357
1 to 3 months	8 717 961	5 308 059
3 to 6 months	5 667 658	6 807 518
Longer than 6 months	39 385 321	83 191 044
<b>Total</b>	<b>115 954 350</b>	<b>107 818 878</b>

#### Reconciliation of Provision for Bad Debts

Balance at beginning of year	64 562 223	71 408 986
Contribution to provision/(Reversal of provision)	20 407 456	18 276 732
Bad Debts Written Off	(14 941 040)	(15 123 505)
<b>Balance at end of year</b>	<b>80 028 639</b>	<b>84 562 223</b>

Concentrations of credit risk with respect to trade receivables are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's trade receivables.

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>21 OPERATING LEASE ARRANGEMENTS</b>		

#### 21.1 The Municipality as Lessor (asset)

Balance on 1 July	17 257	1 685
Movement during the year		
Previously reported		
Correction of error - Note 37.11		
Balance on 30 June	<u>3 451</u>	<u>17 257</u>

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will pay operating lease expenditure as follows:

Up to 1 Year	44 810	293 042
1 to 5 Years	-	44 810
More than 5 Years	-	-
Total Operating Lease Arrangements	<u>44 810</u>	<u>327 852</u>

Theewaterskloof Municipality is leasing plot no. 558, in Caledon, from Tresso Trading 525 (Pty) Ltd for 3 years during the period September 2009 to August 2011 with a escalation of 8% per year.

#### 21.2 The Municipality as Lessor (asset)

##### Balance on 1 July

    Balances previously reported

    Correction of error - Note 37.10

##### Movement during the year

    Balances previously reported

    Correction of error - Note 37.10

##### Balance on 30 June

At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:

Up to 1 Year	445 081	2 152 377
1 to 5 Years	1 536 949	10 553 471
More than 5 Years	980 832	9 055 850
Total Operating Lease Arrangements	<u>2 962 861</u>	<u>21 831 488</u>
	<u>184 700</u>	<u>16 153</u>

Theewaterskloof Municipality is leasing a number of land and some buildings to different rate payers for periods ranging from 24-119 months with escalations of between 1% and 12% per year.

This lease income was determined from contracts that have a specific conditional income and does not include lease income which has a undetermined conditional income.

The leases are in respect of land and buildings being leased out for periods ranging until 2094.

## 22 CASH AND CASH EQUIVALENTS

#### ASSETS

Call Investments Deposits	15 394 461	4 937 046
Primary Bank Account	7 222 673	2 369 704
Cash Floats	8 490	5 000
<b>Total Cash and Cash Equivalents - Assets</b>	<b><u>22 623 524</u></b>	<b><u>7 361 750</u></b>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value. Outstanding deposits and outstanding cheques at year-end are recognised as part of cash and cash equivalents.

Call Investments Deposits to an amount of R 2 328 784 are held to fund the Unspent Conditional Grants (2010: R 7 148 626).

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

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#### CASH AND CASH EQUIVALENTS (CONTINUED)

2011  
R

2010  
R

Bank overDraft of R2 000 000 exists at ABSA and ABSA also has one guarantee of R15 000 in the name of the beneficiary, Eskom.

An amount of R 430 224 (2010: R 451 880), included in Call Investment Deposits above, is invested in an institution which is under curatorship. The curators are encasing property developments financed by the investment company before distribution of funds will continue. However it is expected significant capital losses will be incurred. The dates of any possible future cashflows are not known at the reporting date and the full amount has been impaired due to the uncertainty of collectability.

The municipality has the following bank accounts:

#### Current Accounts

Caledon ABSA - Account Number 405 7866 237 (Primary Bank Account):

7 222 673	2 369 704
7 222 673	2 369 704

Traffic account is cleared daily to Primary Bank Account.

Caledon ABSA - Account Number 405 7866 237 (Primary Bank Account):

Cash book balance at beginning of year

2 369 704	5 589 722
7 222 673	2 369 704

Cash book balance at end of year

2 122 695	6 726 845
7 506 549	2 122 695

Bank statement balance at beginning of year

2 122 695	6 726 845
7 506 549	2 122 695

Bank statement balance at end of year

#### Call Investment Deposits

Call investment deposits consist out of the following accounts:

Netbank	037 887 11531 6001	Notice deposit*	143 787	158 394
Interneuron Capital Ltd	CA 002	Notice deposit*	430 224	456 898
ABSA	90 8877 0478	Notice deposit*	13 343 903	2 604 919
Sanlam		Redemption Fund	1 817 284	1 722 903
Less: Provision for impairment		Shares Investment	89 487	70 932
			(430 224)	
			15 394 461	
			4 937 046	

23 PROPERTY RATES

#### Actual\*

#### Ratable Land and Buildings

#### Residential, Commercial Property, State

#### Less: Rebates

#### Total Assessment Rates

#### Valuations - 1 JULY 2009

#### Ratable Land and Buildings

Residential	3 522 093 500	3 501 041 500
Business & Commercial	700 273 000	701 400 000
Public Benefit Organizations	216 329 500	216 319 500
State-owned	132 557 000	143 412 000
Agricultural	4 041 902 500	4 027 855 500
Other	573 383 500	634 226 000
<b>Total Assessment Rates</b>	<b>9 186 539 000</b>	<b>9 224 254 500</b>

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2009. Rebates were granted on land with buildings used solely for dwellings purposes as follows: Residential - The first R15 000 on the valuation is exempted.

Rebates:	0.56cR	0.53cR
Residential	1.15cR	1.06cR
Commercial	0.145cR	1.06cR

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### 23 PROPERTY RATES (CONTINUED)

Rates are levied annually and monthly. Monthly rates are payable by the 25th of the following month and annual rates are payable before 30 September. Interest is levied at the prime rate plus 1% on outstanding monthly rates.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

#### 24 GOVERNMENT GRANTS AND SUBSIDIES

##### Unconditional Grants

###### Equitable Share

###### Conditional Grants

	2011 R	2010 R
43 654 220	33 166 640	
43 654 220	33 166 640	
57 741 126	58 678 051	
255 964	-	
20 305 654	2 337 000	
1 083 542	22 681 741	
923 740	1 300 000	
	1 018 170	
	250 000	
193 064	308 057	
498 607	2 531	
	12 084	
	22 820	
443 685	428 778	
32 437 219	27 124 583	
17 797	3 280	
	-	
	22 256	
60 000	218 925	
678 000	252 000	
	491 000	
	856 925	
	341 706	
	8 074	
635 156	404 301	
228 684	309 127	
	273 314	
<b>101 395 346</b>	<b>\$1 845 281</b>	

##### Total Government Grants and Subsidies

The municipality does not expect any significant changes to the level of grants.

#### 24.01 Equitable share

##### Opening balance

##### Grants received

##### Conditions met - Transferred to revenue

	43 654 220	33 166 640
(43 654 220)	(33 166 640)	

##### Conditions still to be met

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.

All registered indigents receive a monthly subsidy as per approved budget, funded from this grant. Indigent subsidies is based on the cost of free basic services of R228 per month (2010: R228)

#### 24.02 EPWMP

Opening balance:	694 660	
Grants received	989 000	
Conditions met - Transferred to revenue	(255 961)	
Conditions still to be met	1 427 639	
	694 600	

To extend services to communities through a nationally co-ordinated approach.

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

		2011 R	2010 R
<b>24. GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>			
<b>24.03 National Electrification Program</b>			
Opening balance		-	2 337 000
Grants received		-	(2 337 000)
Conditions met - Transferred to revenue		-	-
Conditions still to be met		-	-
To implement the Programme (NEP) by providing capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply			
<b>24.04 Municipal Infrastructure Grant</b>			
Opening balance		4 905 654	7 055 394
Grants received		15 400 000	20 512 000
Conditions met - Transferred to revenue		(20 305 654)	(22 691 741)
Conditions still to be met		-	4 905 654
The grant was used to construct roads, water and sewerage infrastructure as part of the upgrading of informal settlement areas (included in roads and sewerage votes in Appendix B). No funds have been withheld.			
<b>24.05 MSIG Funds</b>			
Opening balance		1 200 000	1 300 000
Grants received		(1 063 542)	(1 300 000)
Conditions met - Transferred to revenue		-	-
Grant expenditure to be recovered		136 458	-
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.			
<b>24.06 Finance Management Grant</b>			
Opening balance		279 773	297 943
Grants received		1 000 000	1 000 000
Conditions met - Transferred to revenue		(923 740)	(1 018 170)
Grant expenditure to be recovered		356 033	279 773
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns). No funds have been withheld.			
<b>24.07 IMOS</b>			
Opening balance		-	250 000
Grants received		-	(250 000)
Conditions met - Transferred to revenue		-	-
Grant expenditure to be recovered		-	-
To upgrade the water and sanitation masterplan on the Municipal Information Management Query System			
<b>24.08 Sportfield : Caledon</b>			
Opening Balance		193 081	501 138
Grants received		-	(398 057)
Conditions met - Transferred to revenue		(193 081)	-
Grant expenditure to be recovered		-	193 081

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

		2011 R	2010 R
<b>24 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)</b>			
<b>24.09 Sportfield: Grabouw</b>			
Opening balance		498 607	561 138
Grants received		-	(2 531)
Conditions met: Transferred to revenue		(498 607)	-
Grant expenditure to be recovered		-	498 607
<b>24.10 Spatial Development Framework</b>			
Opening balance		30 469	42 553
Conditions met: Transferred to revenue		-	(12 084)
Grant expenditure to be recovered		30 469	30 469
<b>24.11 Bottskrif Development Contribution</b>			
Opening balance		39 889	61 889
Conditions met: Transferred to revenue		-	(22 803)
Grant expenditure to be recovered		39 889	39 889
To obtain a policy for dealing with development applications and the payment of development contributions			
<b>24.12 CDW's</b>			
Opening balance		321 169	533 946
Grants received		175 000	216 000
Conditions met - Transferred to revenue		(443 685)	(428 778)
Grant expenditure to be recovered		52 484	321 169
To provide financial assistance to municipalities to cover the operational costs pertaining to the functions of the community development workers including the regional coordinators.			
<b>24.13 Project Preparation</b>			
Opening balance		69 400	69 400
Grant expenditure to be recovered		69 400	69 400
Development of project plans.			
<b>24.14 Housing</b>			
Opening balance		13 919	5 268
Grants received		32 241 045	27 133 234
Conditions met: Transferred to revenue		(32 437 219)	(27 124 583)
Grant expenditure to be recovered		(182 255)	13 919
Provide housing to the indigents.			
<b>24.15 Upgrading Water (Genadendal)</b>			
Opening balance		-	3 280
Conditions met - Transferred to revenue		-	(3 280)
Grant expenditure to be recovered		-	-
<b>24.16 Township Development: Deneekruin</b>			
Opening balance		17 797	17 797
Conditions met - Transferred to revenue		(17 797)	-
Grant expenditure to be recovered		-	17 797

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

24 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUED)	2011 R	2010 R
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**24.17 Sportfields: Vlinderdorp**

Opening balance	-	22 256
Conditions met - Transferred to revenue	-	(22 256)
Grant expenditure to be recovered	-	-

**24.18 Multi Purpose Bus**

Opening balance	82 102	257 444
Grants received	-	23 584
Conditions met - Transferred to revenue	-	(218 925)
Grant expenditure to be recovered	-	82 102

**24.19 Main Roads Subsidy**

Opening balance	-	-
Grants received	-	-
Conditions met - Transferred to revenue	-	-
Grant expenditure to be recovered	-	-

**24.20 Library Subsidy**

Opening balance	678 000	491 000
Grants received	(678 000)	(491 000)
Conditions met - Transferred to revenue	-	-

**24.21 Other Grant Providers**

Opening balance	(6 371)	31 241
Grants received	1 025 521	2 157 834
Conditions met - Transferred to revenue	(863 841)	(2 158 446)
Conditions still to be met	155 309	(6 371)

Various grants were received from other spheres of government (e.g. DBSA and SETA).

**24.22 Total Grants**

Opening balance	7 119 088	8 428 212
Grants received	96 422 766	90 536 167
Conditions met - Transferred to revenue	(101 395 346)	(91 845 291)
Conditions still to be met (Grant expenditure to be recovered)	2 146 526	7 119 088

Disclosed as follows:

Unspent Conditional Government Grants and Receipts	2 328 734	7 146 626
Unpaid Conditional Government Grants and Receipts	(182 285)	(29 538)
<b>Total</b>	<b>2 146 526</b>	<b>7 119 088</b>

**25 SERVICE CHARGES**

Electricity	46 752 054	37 931 232
Water	34 162 938	31 259 232
Refuse removal	14 165 286	13 145 598
Sewerage and Sanitation Charges	13 418 944	12 878 805
Other Service Charges	234 133	196 420
<b>Less: Rebates</b>	<b>108 733 385</b>	<b>95 401 287</b>
<b>Total Service Charges</b>	<b>108 733 385</b>	<b>95 401 287</b>

Income foregone can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2011 R	2010 R
<b>28 OTHER INCOME</b>		
Administration	25 332	275 219
Building Plan fees	636 692	819 964
Cemetery fees	304 738	285 550
Valuation Certificates	146 475	120 668
Vehicle Registration fees	321 791	285 561
Sundry Income	1 015 914	1 490 867
<b>Total Other Income</b>	<b>2 450 940</b>	<b>3 287 849</b>

**FAIR VALUE ADJUSTMENTS**

Unamortised Discount - Interest:

Investment Property

1 455	8 697
<b>11 430 821</b>	<b>11 247 279</b>

**EMPLOYEE RELATED COSTS**

Salaries	62 369 501	52 540 761
Overtime	2 102 308	2 061 137
Standby Allowances	897 679	825 985
Transport Allowance	4 554 420	4 726 153
Housing Subsidy	647 287	679 805
Other Allowance	547 844	614 064
Bonus	5 013 088	4 297 696
Group Insurance	1 059 011	900 878
Medical Aid Contribution	2 824 557	2 623 596
Pension Fund Contribution	10 326 288	9 158 897
Unemployment Fund	568 643	515 301
Leave Reserve Fund	1 777 748	1 246 900
Workers Compensation Contributions	588 501	493 883
Contribution to provision - Task Implementation	-	725 308
Contribution to provision - Long Service Awards	337 844	373 035
Contribution to provision - Post Retirement Medical	1 089 294	1 007 524
Post Retirement Finance Charges	1 761 631	1 789 491
<b>Total Employee Related Costs</b>	<b>96 475 594</b>	<b>84 600 414</b>

**KEY MANAGEMENT PERSONNEL**

Municipal Manager is appointed on a 7-year contract and the Director Technical Services on a 5 year contract. All other Directors are appointed on 10-year fixed contracts. There are no post-employment or termination benefits payable to them at the end of the contract period.

**REMUNERATION OF KEY MANAGEMENT PERSONNEL**

*Remuneration of the Municipal Manager*

Annual Remuneration	940 004	817 743
Car Allowance	125 641	125 641
Contributions to UIF, Medical and Pension Funds	28 010	24 231
<b>Total</b>	<b>1 091 655</b>	<b>987 615</b>

*Remuneration of the Director Technical Services*

Annual Remuneration	813 116	705 593
Car Allowance	120 000	120 000
Contributions to UIF, Medical and Pension Funds	-	1 497
<b>Total</b>	<b>933 116</b>	<b>827 090</b>

*Remuneration of the Director Corporate Services*

Annual Remuneration	745 537	650 082
Car Allowance	60 000	60 000
Contributions to UIF, Medical and Pension Funds	127 579	117 008
<b>Total</b>	<b>833 116</b>	<b>827 090</b>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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**EMPLOYEE RELATED COSTS (CONTINUED):**

**Remuneration of the Director Development Services**

	2011 R	2010 R
Annual Remuneration	665 214	605 177
Car Allowance	120 001	120 001
Contributions to UIF, Medical and Pension Funds	147 902	101 912
<b>Total</b>	<b>833 116</b>	<b>827 090</b>

**Remuneration of the Director Financial Services**

	2011 R	2010 R
Annual Remuneration	881 499	769 535
Car Allowance	90 000	80 000
Contributions to UIF, Medical and Pension Funds	-	1 497
<b>Total</b>	<b>871 499</b>	<b>861 032</b>

**Remuneration of the Director Operational Services**

	2011 R	2010 R
Annual Remuneration	645 552	622 771
Car Allowance	62 428	57 225
Contributions to UIF, Medical and Pension Funds	130 618	137 373
<b>Total</b>	<b>839 598</b>	<b>861 368</b>

**29 REMUNERATION OF COUNCILLORS**

Mayor	600 710	572 108
Deputy Mayor	484 157	424 834
Speaker	484 157	461 105
Mayoral Committee Members	1 365 080	1 445 482
Councillors	3 088 277	2 751 011
<b>Total Councillors' Remuneration</b>	<b>6 022 381</b>	<b>5 654 540</b>

**In-kind Benefits**

The Executive Mayor, Deputy Executive Mayor, Speaker and three mayoral committee members are full-time. They are provided with secretarial support and an office each at the cost of the Council.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the Framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination, in accordance with this Act.

  
**H S D Wallace**  
 Municipal Manager

**30 DEBT IMPAIRMENT**

Receivables from exchange and non-exchange transactions - Note 20	18 207 628	16 398 694
Cash and Cash Equivalents - Note 22	430 224	-
<b>Total Contribution to Debt Impairment</b>	<b>18 637 852</b>	<b>16 398 694</b>

**31 DEPRECIATION AND AMORTISATION**

Property Plant and Equipment	6 658 647	6 223 985
Capitalised Restoration costs (Restated 2010)	231 331	238 625
Intangible Assets	273 940	181 762
	<b>7 163 918</b>	<b>6 644 372</b>

**32 IMPAIRMENTS**

Property Plant & Equipment (Restated 2010 - Note 30)	294 344	165 960
Capitalised restoration costs	59 998	18 457
Investment Property	1 252 750	383 416
	<b>1 607 092</b>	<b>577 833</b>

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

		2011 R	2010 R
<b>33 FINANCE CHARGES</b>			
Long-term Liabilities		9 456 733	8 302 259
Pension Fund Arrears		103 391	1 038 971
Non-current provisions - Note 38		1 373 966	
<b>Total finance charges</b>		<b>10 834 109</b>	<b>9 339 230</b>
<b>34 BULK PURCHASES</b>			
Electricity		28 781 283	22 206 524
Water		6 008 796	3 706 834
<b>Total Bulk Purchases</b>		<b>34 790 079</b>	<b>25 913 358</b>
<b>35 GRANTS AND SUBSIDIES</b>			
Indigen Subsidies		427 780	484 727
<b>Total Grants and Subsidies</b>		<b>427 780</b>	<b>484 727</b>
<b>36 GENERAL EXPENSES</b>			
Audit Fees		2 309 616	1 810 764
Bank Charges		240 864	216 436
Clean and Green Project		346 479	374 503
Computer charges		222 519	90 416
Fuel Cost		2 824 826	2 375 343
Insurance		659 629	945 543
Material and protective clothing		1 307 795	994 585
Membership fees		464 898	417 355
Monitoring cost		-	251 685
Postage		608 790	772 301
Printing and stationery		594 863	695 802
Quick Wins		1 374 640	2 085 749
Rates and taxes		1 075 361	790 295
Electricity- Eskom		4 065 611	2 401 715
Skills development levy		687 982	598 864
Telephone		2 019 431	2 088 005
Training		427 438	453 808
Travel and subsistence		470 778	525 352
Water Purification		1 060 873	1 067 650
Other - Restated 2010		3 227 660	2 439 858
General Expenses		<b>23 980 853</b>	<b>21 335 889</b>
<b>37 CORRECTION OF ERROR IN TERMS OF GRAP 3</b>			
<b>37.01 Capitalised Restoration Cost</b>		2010 R	
Balance previously reported		3 452 613	
First time recognition of Capitalised Restoration Cost - At Cost- Note 14		(2 510 564)	
First time recognition of Capitalised Restoration Cost - Backlog Depreciation - Note 14		(238 625)	
Recognition of depreciation for 2009/2010 - Note 14		(178 457)	
Recognition of impairments for 2009/2010 - Note 14		664 957	
<b>Total</b>		<b>21 366 128</b>	
<b>37.02 Non-current Provisions</b>			
Balance previously reported		151 583	
First time recognition of Landfill Site Provision - Darreognised Assets - Note 37.09		3 432 613	
First time recognition of Landfill Site Provision - Recognised Assets - Note 37.01		16 784 961	
Recognition of interest Cost on Non-current Provisions up to 30 June 2009 - Note 37.09		1 036 971	
Recognition of interest Cost on Non-current Provisions for 2009/2010 - Note 38		1 373 966	
<b>Total</b>		<b>21 366 128</b>	

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2010 R
<b>37.03 Intangible assets</b>	
Balance previously reported	1 478 444
Correction of Cost due to the implementation of Directive 4 - Note 16 and 37.09	850 510
Correction Accumulated Amortisation due to the implementation of Directive 4 - Note 16 and 37.09 and 38	(42 851)
<b>Total</b>	<b>2 286 104</b>
<b>37.04 Investment Properties</b>	
Balance previously reported	29 098 356
Correction of Opening Balance on Cost due to the implementation of Directive 4 - Note 15 and 37.09	171 793 054
Correction of Opening Balances on Accumulated Depreciation due to the implementation of Directive 4 - Note 15 and 37.09	16 306 561
Correction of additions due to the implementation of Directive 4 - Note 13 and 38	(18 837 976)
Correction of prior year movements due to the implementation of Directive 4 - Note 13 and 38	13 733 427
Correction of prior year movements on revaluation reserve due to the implementation of Directive 4 - Note 13 and 38	6 220 248
Correction of prior year depreciation movements on revaluation due to the implementation of Directive 4 - Note 13 and 38	1 693 319
Correction of prior year impairments due to the implementation of Directive 4 - Note 13 and 38	(165 960)
Housing infrastructure previously expensed - Correction of opening balance 1 July 2009 - Note 37.09	4 246 508
Housing infrastructure not previously recognised - Correction of opening balance 1 July 2009 - Note 37.09	419 983
Housing infrastructure previously expensed - Acc Depreciation - Correction of prior year movements - Note 38	(99 437)
Housing infrastructure previously expensed - Correction of 2009/2010 movements - Note 37.08	4 008 886
Housing infrastructure not previously recognised - Correction of prior year depreciation - Note 38	211 447
<b>Total</b>	<b>(393 416)</b>
<b>37.05 Property Plant and Equipment</b>	
Balance previously reported	284 533 258
Correction of Opening Balance on Cost due to the implementation of Directive 4 - Note 13 and 37.09	(13 159 176)
Correction of Opening Balance on Accumulated Depreciation due to the implementation of Directive 4 - Note 13 and 37.09	78 423 342
Correction of additions due to the implementation of Directive 4 - Note 13 and 38	(16 837 976)
Correction of prior year movements due to the implementation of Directive 4 - Note 13 and 38	11 247 279
Correction of prior year impairments due to the implementation of Directive 4 - Note 13 and 38	55 439
Correction of prior year movements on revaluation reserve due to the implementation of Directive 4 - Note 13 and 38	(393 416)
<b>Total</b>	<b>228 757 273</b>
<b>37.06 Revaluations Reserve</b>	
Balance previously reported	29 098 331
Correction of prior year movements on revaluation reserve due to the implementation of Directive 4 - Note 13 and 37.05	7 913 567
<b>Total</b>	<b>7 913 567</b>
<b>37.07 Inventory</b>	
Balance previously reported	97 479
Correction of inventory measurement due to the implementation of Directive 4 - Note 37.09 and 18	1 488 579
<b>Total</b>	<b>1 586 058</b>
<b>37.08 Payables from exchange transactions</b>	
Balance previously reported	15 465 490
Tender Fees incorrectly not recognised as income - Note 9 and 38	(229 946)
Reclassification of land sales deposits from Other Income to Deposits for Disposal of	1 207 171
Property, Plant and Equipment - Note 38	4 19 863
Retention fees on housing projects not previously recognised - Opening balance - Note 37.05	2 11 447
Retention fees on housing projects not previously recognised - 2009/2010 movements - Note 37.05	17 074 025

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	2010
	R
<b>37.09      Accumulated Surplus/(Deficit)</b>	
First time recognition of Capitalised Restoration Cost - Backlog Depreciation - Note 37.01	(2 510 564)
First time recognition of Landfill Site Provision - Derecognised Assets - Note 37.02	(115 583)
Recognition of Interest Cost on Non-current Provisions up to 30 June 2009 - Note 37.02	(16 764 961)
Reversal of lease asset on a property where the lease terms are in respect of an annual lease but the leases payments were calculated as that of a monthly lease - Notes 21.2 and 37.02	(855 316)
Adjustments to intangible Assets at cost due to the implementation of Directive 4 - Notes 16 and 37.03	859 510
Adjustments to Accumulated Amortisation on Intangible Assets at cost due to the implementation of Directive 4 - Notes 16 and 37.03	(37 428)
Correction of Opening Balance on Cost (Investment Property) due to the implementation of Directive 4 - Note 15 and 37.04	171 793 054
Correction of Opening Balance on Accumulated Depreciation due to the implementation of Directive 4 - Note 15 and 37.04	16 306 561
Correction of Opening Balance on Cost due to the implementation of Directive 4 - Note 13 and 37.05	(13 159 176)
Correction of Opening Balance on Accumulated Depreciation due to the implementation of Directive 4 - Note 13 and 37.05	78 423 342
Correction of inventory measurement due to the implementation of Directive 4 - Notes 37.07 and 18	1 488 579
Provision for impairment of trade receivables from exchange transactions not previously changed against the VAT Liability - 1 July 2009 - Note 37.12	5 820 906
Housing Infrastructure previously expensed - Correction of opening balance 1 July 2009 - Note 37.05	4 244 528
Housing Infrastructure previously expensed - Acc Depreciation - Correction of opening balance 1 July 2009 - Note 37.05	(38 437)
<b>Total</b>	<b>245 409 014</b>
 <b>37.10      Operating lease asset</b>	
<b>Balance previously reported</b>	
Reversal of lease asset on a property up to 30 June 2009 where the lease terms are in respect of an annual lease but the leases payments were calculated as that of a monthly lease - Notes 21.2 and 37.09	(805 316)
Reversal of lease asset on a property where the lease terms are in respect of an annual lease but the leases payments were calculated as that of a monthly lease - 2009/2010 - Notes 21.2 and 38	(632 282)
<b>Total</b>	<b>118 183</b>
 <b>37.11      Operating lease liability</b>	
<b>Balance previously reported</b>	
Lease contract entered for a further period of 2 years not previously recognised - 2009/2010 - Notes 21.1 and 38	8 295
<b>Total</b>	<b>8 295</b>
 <b>37.12      Taxes</b>	
<b>Balance previously reported (liability)</b>	
Provision for impairment of trade receivables from exchange transactions not previously changed against the VAT Liability - 1 July 2009 - Note 37.09	(8 732 487)
Provision for impairment of trade receivables from exchange transactions not previously changed against the VAT Liability - 2009/2010 - Note 38	5 820 906
<b>Total</b>	<b>1 878 038</b>
	<b>(1 933 543)</b>

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### STATEMENT OF FINANCIAL PERFORMANCE

38

	2010	2011
	R	R
Balance previously reported	9 118 430	(238 625)
Recognition of Depreciation for 2009/2010 - Note 37.01	(18 457)	
Recognition of Impairments for 2009/2010 - Note 37.01	(1 006 971)	
Recognition of Interest Cost on Non-current Provisions for 2009/2010 - Note 37.02	(562 282)	
Reversal of lease asset on a property where the lease terms are in respect of an annual lease but the leases payments were calculated as that of a monthly lease - Notes 21.2 and 37.10. Effect on Rent of facilities and equipment	(8 962)	
Lease contract extended for a further period of 2 years not previously recognised - 2009/2010 - Notes 21.1 and 37.11	(383 416)	
Reversal of depreciation on Intangible Assets due to the implementation of Directive 4 - Notes 16 and 37.03	(5 423)	
Correction of prior year movements on Depreciation due to the implementation of Directive 4 - Notes 15 and 37.04 and 37.04	551 439	
Correction of prior year impairments due to the implementation of Directive 4 - Notes 15 and 37.04	(383 416)	
Correction of prior year fair value adjustment due to the implementation of Directive 4 - Notes 15 and 37.04	11 247 279	
Correction of additions due to the implementation of Directive 4 - Notes 13 and 37.05	(16 887 976)	
Correction of prior year movements on Depreciation due to the implementation of Directive 4 - Notes 13 and 37.05	13 733 427	
Correction of incorrect disposals in 2009/2010 - Deposits treated as disposals - Notes 15 and 37.04	211 018	
Reclassification of land sales deposits from Other Income to Deposits for Disposal of Property, Plant and Equipment - Note 37.08	(1 207 171)	
Reclassification of depreciation from Gain on Disposal of Property, Plant and Equipment - Effect on Disposal of Property, Plant and Equipment	53 024	
Depreciation	(53 024)	
Correction of prior year impairments due to the implementation of Directive 4 - Notes 15 and 37.05	(105 960)	
Tender Fees incorrectly not recognised as income - Note 9 and 37.08	229 946	
Provision for impairment of trade receivables from exchange transactions not previously changed against the VAT Liability - 1 July 2009 - Note 37.12	1 878 038	
Housing Infrastructure previously expensed - Correction of opening balance 1 July 2009 - Note 37.05	4 086 886	
Housing Infrastructure previously expensed - Acc Depreciation - Correction of opening balance 1 July 2009 - Note 37.05	(39 437)	
<b>Total</b>	<b>20 188 766</b>	
<b>RECONCILIATION BETWEEN NET SURPLUS/(DEFICIT) FOR THE YEAR AND CASH GENERATED/(ABSORBED) BY OPERATIONS</b>		
<b>39</b>		
Surplus/(Deficit) for the year		
Adjustments for:		
Depreciation		
Impairments		
Amortisation of Intangible Assets		
(Gain) / Loss on disposal of property, plant and equipment		
Contribution from/to employee benefits - non-current		
Contribution from/to employee benefits - non-current - expenditure incurred		
Contribution to employees benefits - current		
Contribution to employees benefits - current - expenditure incurred		
Fair Value Adjustments - Property, Plant and Equipment		
Contribution to provisions - bad debt		
Contribution to provisions - bad debt - Cash and Cash Equivalents reduced		
Impairment written off		
Operating lease income accrued		
Operating lease expenses accrued		
Changes in Non-current provisions - Unwinding of interest		
Operating Surplus/(Deficit) before changes in working capital		
Changes in working capital		
Increase/(Decrease) in Trade and Other Payables		
Increase/(Decrease) in Unspent Conditional Government Grants and Receipts		
Increase/(Decrease) in Unspent Public Contributions		
Increase/(Decrease) in Taxes		
Increase/(Decrease) in Inventory		
Increase/(Decrease) in Trade Receivables from exchange transactions		
(Increase)/(Decrease) in Other Receivables from non-exchange transactions		
(Increase)/(Decrease) in Unpaid Conditional Government Grants and Receipts		
Cash generated/(absorbed) by operations		
	33 557 547	13 064 371

**THEEWATERSKLOOF MUNICIPALITY**

**NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

40	<b>CASH AND CASH EQUIVALENTS</b>	
	2011 R	2010 R
Cash and cash equivalents included in the cash flow statement comprise the following:		
Cash Investments Deposits - Note 22	15 394 461	4 987 046
Cash Floats - Note 22	6 400	5 000
Bank - Note 22	7 222 673	2 369 704
<b>Total cash and cash equivalents</b>	<b>22 623 534</b>	<b>7 351 750</b>

41	<b>RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES</b>	
Cash and Cash Equivalents - Note 40	22 623 534	7 361 750
Less:		
Unspent Committed Conditional Grants - Note 10	22 623 534	7 361 750
Less: Unspent Loans	(5 786 928)	(5 786 928)
<b>Resources available for working capital requirements</b>	<b>14 837 822</b>	<b>213 124</b>

**42 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION**

Long-term Liabilities - Notes 3	105 400 285	82 815 546
Used to finance property, plant and equipment - at cost	(111 187 213)	89 669 445
<b>(5 786 928)</b>	<b>(6 853 659)</b>	<b>6 653 599</b>

Cash set aside for the repayment of long-term liabilities

Cash invested for repayment of long-term liabilities

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act.

**43 BUDGET COMPARISONS**

**43.1 Operational**

	2011 R (actual)	2011 R (Budget)	2011 R (Variance)	2011 (%)
<b>Revenue by source</b>				
Property Rates	41 130 046	41 000 000	130 046	0%
Government Grants and Subsidies	101 395 347	103 449 627	(2 054 280)	(2%)
Public Contributions and Donations	859 235	-	859 235	100%
Third Party Payments	414 218	-	414 218	100%
Fines	3 627 434	4 073 300	(445 866)	(11%)
Fair Value Adjustments	11 432 216	-	11 432 216	100%
Service Charges	108 733 385	121 485 744	(12 752 369)	(10%)
Rental of Facilities and Equipment	1 351 701	1 780 000	(428 299)	(24%)
Interest Earned - external investments	1 664 552	1 700 000	(35 448)	(2%)
Interest Earned - outstanding debtors	7 389 348	8 000 000	(610 652)	(8%)
Licences and Permits	2 612 474	75 000	2 537 474	3383%
Agency Services	1 778 155	1 730 000	48 155	3%
Other Income	2 450 940	39 301 787	(36 850 847)	(94%)
<b>Expenditure by nature</b>	<b>284 839 141</b>	<b>322 596 458</b>	<b>(37 756 317)</b>	<b>(12%)</b>
Employee Related Costs	96 475 554	92 131 805	(4 343 799)	5%
Remuneration of Councillors	6 022 360	6 082 000	59 640	(1%)
Debt Impairment	18 637 852	7 158 499	(11 479 353)	160%
Degradation and Amortisation	7 163 918	22 135 947	(14 972 029)	(68%)
Impairments	1 607 052	-	(1 607 052)	(100%)
Repairs and Maintenance	14 054 054	16 890 800	(2 936 746)	(17%)
Actuarial losses	4 910 343	(4 910 343)	-	(100%)
Finance Charges	10 934 109	10 855 905	(78 204)	1%
Bulk Purchases	34 790 079	34 128 718	(661 361)	2%
Contracted services	9 949 008	14 005 931	(4 056 923)	(28%)
Grants and Subsidies	427 760	500 000	72 240	(14%)
Operating Grant Expenditure	27 559 506	40 000 000	(12 440 394)	(31%)
General Expenses	23 988 853	38 074 131	(14 085 273)	(37%)
Loss on disposal of Property, Plant and Equipment	788 977	(8 470)	(788 977)	(100%)
Fair Value Adjustments	257 309 605	282 055 266	(24 782 604)	(8%)
<b>Net Surplus for the year</b>	<b>27 529 586</b>	<b>40 540 192</b>	<b>(12 863 716)</b>	<b>(32%)</b>

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 R (%)
<b>43.2 Expenditure by Vote</b>				
Executive & Council	33 676 844	40 693 578	(7 016 734)	(17%)
Finance & Administration	52 188 409	62 437 869	(10 249 460)	(16%)
Planning & Development	12 536 583	15 198 544	(2 661 961)	(18%)
Community & Social Services	4 842 918	5 100 446	(257 528)	(5%)
Housing	3 713 888	4 774 329	(1 060 441)	(22%)
Public Safety	10 885 176	10 748 530	116 646	1%
Sport & Recreation	7 658 378	8 164 059	(505 681)	(6%)
Environmental Protection	170 202	198 985	(19 783)	(10%)
Waste Management	21 258 036	17 026 383	4 231 653	25%
Water/Water Management	17 454 000	18 378 600	(924 520)	(5%)
Road Transport	22 659 927	28 958 880	(5 298 973)	(19%)
Water	27 951 826	29 164 134	(1 212 328)	(4%)
Electricity	41 647 714	41 716 381	(69 147)	(0%)
Other	485 684	373 538	112 126	30%
	<b>257 309 605</b>	<b>282 083 736</b>	<b>(24 754 131)</b>	<b>(8%)</b>

	2011 R (Actual)	2011 R (Budget)	2011 R (Variance)	2011 R (%)
<b>43.3 Capital expenditure by vote</b>				
Executive & Council	721 188	800 441	(79 273)	(10%)
Finance & Administration	1 480 869	3 460 635	(1 979 966)	(57%)
Housing	9 602 453	29 343 918	(19 741 425)	(67%)
Sport & Recreation	683 020	691 688	(8 666)	(1%)
Waste Water Management	4 940 829	11 564 387	(6 623 558)	(57%)
Road Transport	9 179 486	13 692 355	(4 422 869)	(33%)
Water	14 134 948	16 577 195	(2 442 247)	(15%)
Electricity	3 880 230	6 062 212	(2 121 982)	(35%)
	<b>44 623 013</b>	<b>82 043 031</b>	<b>(37 420 018)</b>	<b>(46%)</b>

#### Details of material variances

The main reason for the poor spending of capital is the budget for Housing of R289 343 918 which was incorrectly placed under capital instead of operating. If the budget was placed under operating expenditure the actual spending on capital projects will be 68% instead of 54%.

#### UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

##### 44.1 Unauthorised expenditure

Reconciliation of unauthorised expenditure:

Opening balance	8 780 520		
Unauthorised expenditure - current year - capital	-	272 445	
Unauthorised expenditure - current year - operating	(8 780 520)	8 508 075	
Written off by council	<b>4 460 425</b>	<b>8 780 520</b>	

Unauthorised expenditure awaiting authorisation

##### 44.2 Over expenditure on votes

None

The main reasons for the unauthorised expenditure are the insufficient budget for non-cash transactions such as additional provision for doubtful debts and additional depreciation on fixed assets.

#### Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

Opening balance	118 071		
Written off by council	<b>118 071</b>	<b>-</b>	
		118 071	

Fruitless and wasteful expenditure awaiting further action

Incident	Disciplinary steps/criminal proceedings
Interest paid on late payment	None

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>44.3 Irregular expenditure</b>		
Reconciliation of irregular expenditure:		

- Opening balance
- Irregular expenditure current year

Irregular expenditure awaiting further action

<b>Incident</b>	<b>Disciplinary steps/penal proceedings</b>
Non-compliance with Supply Chain Management Policy - 3 Disciplinary not obtained - 2009/2010 = R 1 365 104 and 2010/2011 = R 306 087	
Aquisition from persons employed in the State - A Director of Red Aims is a Director of Overstrand Municipality - 2009/2010 = R 334 864,10 and 2010/2011 = R 140 270,38	

### 44.4 Material losses

#### Water distribution losses

- Kilolitres purified
- Kilolitres lost during distribution
- Percentage lost during distribution

#### Electricity distribution losses

- Units purchased (kwh)
- Units lost during distribution (kwh)
- Percentage lost during distribution

#### 45 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

##### 45.1 Contributions to organised local government - [MFMA 125(1)(b)] - SALGA CONTRIBUTIONS

Opening balance	-
Council subscriptions	-
Amount paid - current year	-

#### Balance unpaid (included in creditors)

##### 45.2 Audit fees - [MFMA 125(1)(b)]

#### Opening balance

#### Current year audit fee

#### External Audit - Auditor-General

#### Audit Committee

#### Amount paid - current year

#### Balance unpaid (included in creditors)

##### 45.3 VAT - [MFMA 125(1)(b)]

#### Opening balance

#### Amounts received - current year

#### Amounts received - previous years

#### Amounts claimed - current year

#### Closing balance - Receivable

#### VAT

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

VAT in suspense due to cash basis of accounting

#### Input VAT

#### Output VAT

#### Receivable

VAT is payable/receivable on the cash basis. VAT is only paid over to SARS once cash is received from debtors and only claimed from SARS once payment is made to creditors.

2 369 616	1 810 764
54 115	-
(2 363 731)	(1 810 764)
-	-
-	-

1 726 525	-
4 968 427	-
(1 726 525)	-
(5 514 577)	-
(558 150)	-
-	-

1 205 370	2 406 049
22 050 589	-
(18 922 274)	-
5 128 314	-

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>PAYE, SDL and UIF - [MFMA 125 (1)(b)]</b>		
Opening balance	12 223 940	9 624 495
Current year payroll deductions and Council Contributions	(12 223 940)	(9 624 495)

**Balance unpaid (included in creditors)**

**Pension and Medical Aid Deductions - [MFMA 125 (1)(b)]**

Opening balance

Current year payroll deductions and Council Contributions

Amount paid - current year

Balance unpaid (included in creditors)

**45.5**

**Councillor's arrear consumer accounts - [MFMA 125 (1)(b)]**

The following Councillors had arrear accounts for more than 90 days as at 30 June 2011:

	2011 R	2010 R
Damion M	22 057 715	18 945 162
Hazeenbe V C	(22 057 715)	(18 945 162)
Wood C	-	-
Pheffer JJJ	-	-
S. Baird	-	-
L M de Bruyn	-	-
C T J Simmans	-	-
C Botha-Smit	-	-
Appel M	-	-
<b>Total Councillor Arrear Consumer Accounts</b>	<b>15 423</b>	<b>13 387</b>

**45.7 Deviations approved in terms of the Supply Chain Management Policy**

Deviations from Supply Chain Management Regulations were approved by the Accounting Officer on the following categories:

	Less than R30,000	Between R30,001 and R200,000	Between R200,001 and R2,000,000	More than R2,000,001
Corporate Services	167 969	198 371	262 800	-
Development Services	119 40	270 337	238 500	-
Financial Services	76 866	120 826	2 050 776	-
Technical Services	254 498	482 919	214 710	-
Operational Services	1 217 126	719 807	601 773	-
<b>Total</b>	<b>1 835 399</b>	<b>1 792 060</b>	<b>3 369 556</b>	<b>-</b>

The major deviations approved are as follows:

Incident	Amount R
Appointment of W M De Kock & Associates for the compilation of a Land and Buildings Register and the valuation of all the land and buildings belonging to the municipality.	266 953
Appointment of Etisler Kent Metering for the supply of meters as it is the aim to standardise all meters and the supplier previously supplied three same meters.	1 483 818
Appointment of Daubois Consulting to complete the remaining TASK Evaluation forms, since the firm previously completed the other forms.	601 773
Appointment of Mubasiko Africa to unbolt the infrastructure assets for the past 3 years and complete the Financial Statements, as the firm previously completed the financial statements and can do it in a relative short time period.	300 000

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

**45.3 Other non-compliance (MFMA 125(2)(e))**

Section 125(1) of the MFMA requires municipalities to submit the financial statements within 2 months after the end of the financial year. The municipality submitted its financial statements 2 days late. The reason for this late submission is mainly as a result of the huge implications of the implementation of GRAP 16 and GRAP 17.

Section 32 (4) (a) of the MFMA states that the accounting officer must promptly inform the mayor, the MEC of local government in the province and the Auditor General in writing of any unauthorised, irregular or fraudulent and wasteful expenditure incurred by the municipality. The municipality did not inform the relevant parties as required by the section.

	2011 R	2010 R
<b>CAPITAL COMMITMENTS</b>		
<b>Commitments in respect of capital expenditure:</b>		
Approved and contracted for:		
Infrastructure		
<b>Total</b>		
	<u>29 111 091</u>	<u>15 854 763</u>
	<u>29 111 091</u>	<u>15 854 763</u>
	<u>29 111 091</u>	<u>15 854 763</u>

This expenditure will be financed from:	
External Loans	6 237 546
Government Grants	22 673 545
	<u>29 111 091</u>
	<u>15 854 763</u>

**4.7 FINANCIAL RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**(a) Foreign Exchange Currency Risk**

The municipality does not engage in foreign currency transactions.

**(b) Price risk**

The municipality is not exposed to price risk.

**(c) Interest Rate Risk**

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/(deficit) for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

1% {2010 - 0.5%} Increase in interest rates	(827 832)
0.5% {2010 - 0.5%} Decrease in interest rates	377 294

**FINANCIAL RISK MANAGEMENT (CONTINUED)****(d) Credit Risk**

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the municipality to incur a financial loss.

Credit risk consist mainly of cash deposits, cash equivalents, trade and other receivables and unpaid conditional grants and subsidies.

Trade and other debts are disclosed net after provisions are made for impairment and bad debts. Trade debtors comprise of a large number of ratepayers, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Credit risk pertaining to trade and other debtors is considered to be moderate due the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer debtors the municipality effectively has the right to terminate services to customers but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "varying of penalty charges," "Demand for payment," "Restriction of services" and, as a last resort, "Handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All rates and services are payable within 30 days from invoice date. Refer to note 19 and 20 for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to note 19 for balances included in receivables that were re-negotiated for the period under review.

No receivables are pledged as security for financial liabilities.

Due to the short term nature of receivables, the carrying value disclosed in note 19 and 20 of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

The provision for bad debts could be allocated between the different classes of debtors as follows:

	2011 R	2011 %	2010 R	2010 %
Non-Exchange Receivables				
Rates	25 657	23 129 545	22 286	18 821 942
Exchange Receivables				
Services	74,31%	68 899 093	77,74%	65 740 281
	<u>100,00%</u>	<u>90 028 638</u>	<u>100%</u>	<u>84 562 223</u>

The municipality only deposits cash with organisations allowed in terms of the Cash Management Policy with high quality credit standing. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although no credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting where applicable.

	2011 R	2010 R
Financial assets exposed to credit risk at year end are as follows:		
Long term receivables	45 406	50 101
Receivables from exchange transactions	22 370 459	16 701 860
Receivables from non-exchange transactions	4 304 652	2 855 380
Cash and Cash Equivalents	22 623 534	7 361 750
Unpaid conditional grants and subsidies	182 255	28 538
	<u>49 525 706</u>	<u>26 998 629</u>

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

#### 4.7 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

#### 4.8 FINANCIAL INSTRUMENTS

In accordance with GRAP 104 the financial instruments of the municipality are classified as follows:

The fair value of financial instruments approximates the amortised costs as reflected below.

#### 4.8.1 Financial Assets

##### Classification

	2011 R	2010 R
<b>Long-term Receivables</b>		
Official Housing Loans	52 414	56 086
Rates (Re-negotiated terms)	-	2 477
<b>Receivables</b>		
Receivables from exchange transactions	22 370 459	16 701 860
Receivables from non-exchange transactions	4 304 052	2 855 380
<b>Other Receivables</b>		
Government Subsidies and Grants	182 255	29 538
<b>Current Portion of Long-term Receivables</b>		
Officials Housing Loans	4 241	3 844
Sport Club Loans	-	2 417
<b>Short-term Investment Deposits</b>		
Call Deposits	15 394 461	4 987 046
<b>Bank Balances and Cash</b>		
Bank Balances	7 222 673	2 369 704
Cash Floats and Advances	6 400	5 000
	<b>49 536 955</b>	<b>27 013 411</b>
<b>SUMMARY OF FINANCIAL ASSETS</b>		
Financial Instruments at amortised cost	49 536 955	27 013 411
<b>At amortised cost</b>	<b>49 536 955</b>	<b>27 013 411</b>

#### 4.8.2 Financial Liabilities

##### Classification

	2011 R	2010 R
<b>Long-term Liabilities</b>		
Annuity Loans	90 709 893	87 354 932
Capitalised Lease Liability	-	305 914
<b>Payables from exchange transactions</b>		
Trade creditors	10 774 673	7 393 474
Interest portion of long term liabilities	974 687	808 986
Deposits	5 483 692	3 577 361
<b>Other Payables</b>		
Government Subsidies and Grants	596 903	793 483
<b>Current Portion of Long-term Liabilities</b>		
Annuity Loans	2 328 784	7 148 626
Capitalised Lease Liability	-	-
	<b>116 142 026</b>	<b>92 093 373</b>
<b>SUMMARY OF FINANCIAL LIABILITY</b>		
Financial instruments at amortised cost	5 223 196	4 577 571
	<b>48 289</b>	<b>133 027</b>
	<b>116 142 026</b>	<b>92 093 373</b>

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011 R	2010 R
<b>49 EVENTS AFTER THE REPORTING DATE</b>		

The municipality has no events after reporting date during the financial year ended 30/06/2011.

### 50 IN-KIND DONATIONS AND ASSISTANCE

The municipality did not receive any in-kind donations or assistance during the year under review.

### 51 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

### 52 CONTINGENT LIABILITY

None

### 53 RELATED PARTIES

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

#### 53.1 Related Party Transactions

Year ended 30 JUNE 2011	Fees - Levied <sup>1</sup> Jul 10 - 30 Jun		Service Charges - Levied 1 Jul 10 - 30 Jun 11		Other - Levied <sup>1</sup> Jul 10 - 30 Jun		Outstanding Balances 30 June 2011
	11	22 889	149 443	11	41 463	89 874	
Councillors							
L De Bruyn	721	26	-	-	738	-	
C Stuurman	-	902	-	-	902	-	
M Damon	-	254	-	-	254	-	
C Wood	-	5 933	-	-	5 933	-	
S Baird	64	501	-	-	565	-	
C Booysen-Hoff	1 530	-	-	-	212	-	
J Nelie	-	3 588	-	-	-	-	
C Noverber	952	9 546	-	-	758	-	
K I Papier	1 045	16 914	-	-	1 553	-	
C Punt	3 648	9 953	-	-	1 016	-	
M Tshaka	-	3 175	-	-	247	-	
C Vosloo	6 008	14 703	-	-	1 463	-	
D Abrahams	1 048	20 465	-	-	4 044	-	
G Carelse	2 548	4 364	-	-	9 465	-	
A Cupido	605	4 473	39 844	40 140	331	-	
N de Wet	-	10 874	-	-	11 415	-	
P de Wet	450	3 621	-	-	524	-	
J Hendricks	3 497	2 821	165	-	3 250	-	
G Koegelenberg	705	27 130	-	-	6 151	-	
M Nongxaza	-	5 353	1 345	-	866	-	
I Sileku	68	1 937	-	-	247	-	
U Sipunzi	-	2 910	-	-	-	-	
Senior Management	4 483	9 447	-	-	1 156	-	
Jan-Bernard Honey Gxoyiya	-	57 635	-	-	3 913	-	

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties.

### 53.2 Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted. Loans granted prior to this date are disclosed in note 17 to the Annual Financial Statements.

## THEEWATERSKLOOF MUNICIPALITY

### NOTES ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	RELATED PARTIES (CONTINUED)		
	2011 R	2010 R	
53.3 Compensation of key management personnel			
The compensation of key management personnel is set out in note 28 to the Annual Financial Statements.			
53.4 Other related party transactions			
The following purchases were made during the year where Councillors or staff have an interest:			
Mr R. Theunissen - Painter - Brother of Councillor D.C. Rutgers			
Sinking Ships Trading S - Tel: J&A Enterprise Works - Decorative streetlights - Son in law of Deputy Director - Electrical	<u>385 793</u>	<u>67 100</u>	
<b>54 TRANSITIONAL PROVISION TAKEN ACCORDING TO THOSE IN DIRECTIVE 4 - TRANSITIONAL PROVISIONS FOR MEDIUM AND LOW CAPACITY MUNICIPALITIES</b>			
The municipality utilised the transitional provisions provided for in Directive 4, issued by the Accounting Standards Board, for the prior periods. The municipality is classified by the National Treasury as a medium capacity municipality and as a consequence the municipality must comply with all the GRAP Standards applicable at the reporting date.			
54.1 GRAP 18 - Provisions, contingent liabilities and contingent Assets			
The municipality did not measure the rehabilitation costs of the refuse sites in the past in terms of Directive 4, issued by the Accounting Standards Board. Since the previous reporting period the municipality recognised the following non-current provisions:			
Refuse tip-sites financed by way of a provision	<u>21 386 128</u>		
54.2 GRAP 17 - Property, Plant and Equipment			
Since the previous reporting date the following Property, Plant and Equipment were measured in accordance with GRAP 17 and restated retrospectively:			
Property, Plant and Equipment			
Accumulated depreciation on Property, Plant and Equipment	<u>(23 826 904)</u>		
Accumulated impairments	<u>82 156 789</u>		
Total not previously recognised now restated retrospectively	<u>{155 960}</u>		
	<u>68 329 955</u>		
54.3 GRAP 102 - Intangible Assets			
Since the previous reporting date the following Intangible Assets were measured in accordance with GRAP 102 and restated retrospectively:			
Computer software:			
Accumulated amortisation on computer software	<u>850 510</u>		
Total not previously recognised now restated retrospectively	<u>(42 851)</u>		
	<u>807 659</u>		
54.4 GRAP 16 - Investment Properties			
Since the previous reporting date the following Investment Properties were measured in accordance with GRAP 16 and restated retrospectively:			
Investment Properties at fair value	<u>183 040 333</u>		
Accumulated depreciation on Investment Properties	<u>16 858 000</u>		
Accumulated impairments	<u>(393 416)</u>		
	<u>199 504 917</u>		
54.5 GRAP 12 - Inventories			
Since the previous reporting date the following Investment Properties were measured in accordance with GRAP 16 and restated retrospectively:			
Emergency materials	<u>1 483 579</u>		

**APPENDIX A - Unaudited**

**THEEWATERSKLOOF MUNICIPALITY**

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2010		Correction	Balance at 30 JUNE 2010 Restated		Received during the period	Redeemed written off during the period	Balance at 30 JUNE 2011
				30 JUNE 2010	30 JUNE 2010		Restated	Restated			
<b>LONG-TERM LOANS</b>											
Stock Loans											
DBSA - 20 year	9.85%	103313.1		31032029	22 082 960	(22 082 960)	-	-	-	-	-
DBSA - 15 year	9.97%	103313.2		31032024	6 295 000	(6 295 000)	-	-	-	-	-
DBSA - 10 year	10.00%	103313.3		31032019	1 000 000	(1 000 000)	-	-	-	-	-
DBSA - 7 year	9.85%	103313.4		31032016	3 800 000	(3 800 000)	-	-	-	-	11 885 289
DBSA	10.05%	Loan No. 102275/1		31032009	11 865 289	-	-	-	-	-	-
DBSA - 9.46% 20 year	9.46%	Loan No. 101487/1		31/12/2024	7 873 758	7 873 758	-	-	-	-	7 873 758
DBSA - 9.46% 5 year	9.49%	AdminCorpRefuse									126 242
DBSA	10.74%	Loan No. 102807/1		30/06/2013	11 916 345	-	10 012 681	-	(202 241)	9 810 450	-
DBSA	11.44%	Loan No. 103108/1		31/12/2018	-	-	-	-	(38 055)	171 726	-
ABSA	11.35%	(Mun Building)		31/12/2014	208 781	-	-	-	(107 698)	(18 370)	82 395
ABSA	11.35%	(Electricity, Water, Sewerage)	10856/1	31/12/2010	107 688	-	-	-	(18 370)	-	-
ABSA	12.00%	(Roads)	11793	31/12/2014	101 265	-	-	-	(22 713)	-	-
ABSA	12.00%	(Water Service)	11792	31/12/2010	22 713	-	-	-	(97 596)	1 191 228	-
ABSA	11.14%	(Electricity, Water, Sewerage)	10856/2	31/12/2013	123 856	-	-	-	(9 189)	114 957	-
ABSA	10.05%	(Sewerage)	13050	31/12/2013	176 472	-	-	-	(44 428)	132 045	-
DBSA 15.30% 15 year	15.30%	(Electricity)	13062	31/12/2008	3	-	-	-	-	3	-
ABSA	11.35%	(Sewerage)	13051	31/12/2014	50 211	-	-	-	(9 188)	41 102	34 384
ABSA	11.35%	(Municipal Buildings)	13052	31/12/2014	41 980	-	-	-	(7 615)	-	-
ABSA	12.00%	(Municipal Buildings)	13057	31/12/2010	5 700	-	-	-	(5 701)	-	-
ABSA	11.79%	(Electricity)	13060	31/12/2011	18 477	-	-	-	(11 962)	6 515	-
ABSA	12.25%	(Water Service)	13063	31/12/2009	-	-	-	-	-	-	-
ABSA	11.79%	(Water Service)	13056	31/12/2011	13 465	-	-	-	(8 717)	4 748	-
DBSA 16.50% 10 year	12.00%	13064		31/12/2010	11 406	-	-	-	(11 406)	-	-
Sanlam 10% 20 year	16.60%	(Roads)	13298	31/12/2009	(21)	-	-	-	(21)	-	-
ABSA	10.00%	(Sewerage)	401310/00%	31/12/2010	4 450	-	-	-	(4 210)	241	-
ABSA	11.27%	(Water Services)	104013	31/12/2015	350 012	-	-	-	(49 004)	301 007	-
ABSA	11.27%	(Water Services)	105021/12705/101	31/12/2015	144 285	-	-	-	(20 201)	124 084	-
DBSA 16.50% 20 year	16.50%	(Electricity)	13343/16.50%	31/12/2019	168 046	-	-	-	(8 153)	157 893	-
ABSA	15.75%	(Electricity)	17755/10/102	30/06/2020	82 684	-	-	-	(3 820)	78 864	-
ABSA	12.00%	(Network - Elec)	171515/8	31/12/2010	24 647	-	-	-	(24 647)	-	-
ABSA	11.44%	(Network - Elec)	171515/9	31/12/2013	108 637	-	-	-	(26 854)	81 783	-
DBSA - 20 year	9.85%	(11807/101)	31/03/2029	22 082 960	-	-	-	-	(429 001)	21 653 959	-
DBSA - 15 year	9.97%	103313.2	31/03/2024	6 295 000	-	-	-	-	(221 919)	6 073 081	-
DBSA - 10 year	10.00%	103313.3	31/03/2019	1 000 000	-	-	-	-	(72 945)	921 655	-
DBSA - 7 year	9.95%	103313.4	31/03/2016	3 800 000	-	-	-	-	(490 332)	3 309 668	-
ABSA	12.00%	(11807/101) (Water)	72 480 009	31/12/2010	79 900	-	-	-	(79 900)	-	-
STANDARD BANK	11.67%	-	-	-	1 000 000	-	-	-	(45 124)	954 976	-
STANDARD BANK	11.72%	72 479 961	-	-	3 000 000	-	-	-	(73 528)	2 926 472	-
DBSA	11.06%	103817/3	-	-	11 865 289	-	-	-	(87 483)	11 984 077	-
STANDARD BANK	12.22%	272 420 572	-	-	1 000 000	-	-	-	(8 209 060)	8 209 060	-
ABSA BANK	10.45%	408 385 872	-	-	3 000 000	-	-	-	(3 000 000)	3 000 000	-
Total Annuity Loans					37 599 400	25 177 960	62 777 360	26 495 960	(3 706 623)	85 486 698	

**APPENDIX A - Unaudited**

**THEEWATERSKLOOF MUNICIPALITY**

**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2011**

EXTERNAL LOANS	Rate	Loan Number	Redeemable	Balance at 30 JUNE 2010	Conversion	Balance at 30 JUNE 2010 Restated	Received during the period	Redeemed during the period	Balance at 30 JUNE 2011
<b>LEASE LIABILITY</b>									
Bizhub B250 photo copier		19 101	-	19 101	-	(14 031)	5 070		
AR5316 photo copier		738	-	738	-	(738)	-		
AR5316 photo copier		738	-	738	-	(738)	-		
Bizhub B250 photo copier		11 211	-	11 211	-	(11 211)	-		
Bizhub B163 photo copier		10 749	-	10 749	-	(7 900)	2 849		
Bizhub B250 photo copier		11 211	-	11 211	-	(11 211)	-		
Bizhub C451 photo copier		47 017	-	47 017	-	(34 537)	12 480		
Bizhub B163 photo copier		5 918	-	5 918	-	(5 918)	-		
Bizhub B250 photo copier		16 484	-	16 484	-	(12 114)	4 370		
Bizhub C203 photo copier		38 971	-	38 971	-	(18 300)	20 671		
Bizhub B163 photo copier		10 749	-	10 749	-	(7 900)	2 849		
Total Lease Liabilities		172 887	-	172 887	-	(124 588)	48 299		
<b>TOTAL EXTERNAL LOANS</b>				<b>82 815 546</b>	<b>26 495 960</b>	<b>(3 811 222)</b>	<b>105 490 285</b>		

**APPENDIX B - Unaudited**

**THEEWATERSKLOOF MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**  
**MUNICIPAL SUB-VOTES CLASSIFICATION**

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
1 828	4 207 455	(4 205 627)	Admin. Housing and Informal Settlements	257 452	3 713 888	(3 713 888)
272 800	2 397 618	(2 124 818)	Admin. : Technical Services	-	7 060 637	(6 803 185)
-	-	(3 144 304)	Admin. : Operational Services	-	4 440 051	(4 440 051)
820 116	3 144 304	-	Admin. : Planning and Development	-	3 018 400	(3 018 400)
285 550	403 764	416 352	Building Control	639 568	386 293	253 275
-	356 968	(71 418)	Cateracies	304 736	434 891	(130 155)
1 568 778	3 378 776	(513 417)	Civil Protection & Fire Protection	-	368 856	(368 856)
2 174 820	14 819 318	(12 644 498)	Directorate Corporate Services	1 721 685	14 207 440	(12 485 755)
38 463 685	35 744 444	2 719 241	Electricity Distribution	1 074 979	7 968 716	(6 893 737)
35 096 710	14 901 276	20 195 434	Financial Services	47 284 770	41 647 714	5 637 056
273 314	2 508 069	(2 234 755)	Human Resources	41 427 086	13 968 825	27 458 261
932 353	3 265 024	(2 332 671)	IDP / LED	228 684	1 550 948	(1 322 264)
-	1 678 668	(1 678 668)	Information Technology	635 156	3 719 392	(3 084 236)
-	781 668	(781 668)	Internal Audit	-	792 068	(792 068)
-	1 081 921	(1 081 921)	Law Enforcement	-	905 716	(905 716)
557 705	4 457 833	(3 900 128)	Library	2 900	1 815 087	(1 812 187)
-	255 732	(255 732)	Mechanical Workshop	744 378	4 408 027	(3 663 649)
-	-	-	Municipal Manager	-	485 664	(485 664)
3 955	1 434 412	(1 434 412)	Nature reserve	859 235	3 223 896	(2 364 661)
-	173 456	(169 501)	Other	5 883	1 277 211	(1 271 328)
-	5 490 088	(5 490 088)	Parks and Recreation	25 129	433 420	(408 291)
252 000	71 104	(71 104)	Pollution Control	18 795	5 073 070	(5 054 275)
-	386 913	(134 913)	Proclaimed Main Roads	-	170 202	(170 202)
-	765 348	(765 348)	Property Management	60 000	234 183	(174 183)
38 737 536	207 441	38 530 95	Property Rates	11 628	2 099 702	(2 088 074)
(2 940 740)	8 407 718	(11 348 458)	Property Services	41 133 541	1 135 222	39 998 319
-	20 271 384	(20 271 384)	Roads	13 658 959	7 108 726	6 550 233
14 879 034	14 063 680	815 354	Sewerage	15 397 344	19 178 598	(19 178 598)
-	3 919 717	(3 919 717)	Sewerage Purification	-	11 728 832	3 668 512
1 182 727	2 311 605	(1 128 878)	Sewerage Tanker Services	1 303 567	3 585 940	(3 585 940)
16 735 666	21 610 357	(4 874 691)	Solid Waste	18 522 752	21 258 036	(835 741)
16 909	932 458	(915 549)	Sports Grounds	-	16 342 672 589	(2 735 284)
52 486 168	23 137 952	29 348 216	Subsidies and Grants	53 434 561	23 503 008	(656 247)
86 929	341 941	(455 012)	Swimming pool & Camping Site	46 008	635 508	(589 500)
380 504	2 312 064	(1 931 560)	Town Planning	424 360	2 523 819	(2 098 459)
3 642 515	7 624 830	(3 982 315)	Traffic Services	3 738 751	8 247 813	(4 509 662)
4 394 917	3 107 144	1 287 773	Vehicle Licensing and Testing	4 634 604	3 447 126	1 187 478
34 263 711	27 226 628	7 037 083	Water Distribution	36 437 311	27 951 806	8 485 505
244 569 490	237 892 495	6 676 995	Sub Total	284 050 164	256 520 628	27 529 536
244 569 490	237 892 495	6 676 995	Total	284 050 164	256 520 628	27 529 536

**APPENDIX C - Unaudited**

**THEEWATERSKLOOF MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**  
**GENERAL FINANCE STATISTIC CLASSIFICATIONS**

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/ (Deficit) R
4 016 398	20 595 712	(16 579 314)	Executive & Council	3 054 116	33 676 844	(30 622 728)
123 652 988	51 622 792	72 030 196	Finance & Administration	150 742 066	52 188 409	98 553 657
2 132 973	9 890 504	(7 757 531)	Planning & Development	1 710 712	11 747 606	(10 036 894)
843 255	4 814 801	(3 971 546)	Community & Social Services	1 049 114	4 842 918	(3 793 804)
1 828	4 207 455	(4 205 627)	Housing	-	3 713 888	(3 713 888)
3 646 470	9 393 624	(5 747 154)	Public Safety	3 766 780	10 865 176	(7 098 396)
103 838	8 398 899	(8 295 061)	Sport & Recreation	87 028	7 658 378	(7 571 350)
-	71 104	(71 104)	Environmental Protection	-	170 202	(170 202)
16 735 666	20 316 304	(3 580 638)	Waste Management	18 522 752	21 258 036	(2 735 284)
16 061 761	21 589 055	(5 527 294)	Waste Water Management	16 700 911	17 454 080	(753 169)
4 646 917	23 765 441	(19 118 524)	Road Transport	4 694 604	22 859 907	(18 165 303)
34 263 711	27 226 628	7 037 083	Water	36 437 311	27 951 806	8 485 505
38 463 685	35 744 444	2 719 241	Electricity	47 284 770	41 647 714	5 637 056
-	255 732	(255 732)	Other	-	485 664	(485 664)
<b>244 569 490</b>	<b>237 892 495</b>	<b>6 676 995</b>	<b>Total</b>	<b>284 050 164</b>	<b>256 520 628</b>	<b>27 529 536</b>

**APPENDIX D - Unaudited**

**THEEWATERSKLOOF MUNICIPALITY  
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Grant Description	Balance 1 JULY 2010		Grants Received during the year	Expenditure during the year	Balance 30 JUNE 2011
	R	R		R	
<b>UNSPENT AND UNPAID GOVERNMENT GRANTS AND RECEIPTS</b>					
<b>National Government Grants</b>					
Equitable Share	-	43 654 220	(43 654 220)	-	-
EPWP	694 600	989 000	(255 961)	1 427 639	-
Municipal Infrastructure Grant	4 905 654	15 400 000	(20 305 654)	-	-
MSIG Funds	-	1 200 000	(1 063 542)	136 458	356 033
Finance Management Grant	279 773	1 000 000	(923 740)	-	-
<b>Total National Government Grants</b>	<b>5 860 027</b>	<b>62 243 220</b>	<b>(66 203 117)</b>	<b>1 920 130</b>	
<b>Provincial Government Grants</b>					
Sportsfield : Caledon	193 081	-	(193 081)	(0)	(0)
Sportfield: Grabouw	498 607	-	(498 607)	-	(0)
Spatial Development Framework	30 469	-	-	30 469	-
Bothvier Development Contribution	38 889	-	-	38 889	-
CDW's	321 169	175 000	(443 685)	52 484	-
Project Reparation	69 400	-	-	69 400	-
Housing	13 919	32 241 045	(32 437 219)	(182 256)	-
Township Development: Dennekruin	17 797	-	(17 797)	-	-
Multi Purpose Bus	62 102	-	-	62 102	-
Main Roads Subsidy	-	60 000	(60 000)	-	-
Library Subsidy	-	678 000	(678 000)	-	-
<b>Total Provincial Government Grants</b>	<b>1 245 432</b>	<b>33 154 045</b>	<b>(34 328 388)</b>	<b>71 089</b>	
<b>Other Grant Providers</b>					
DBSA GIS	23 167	796 836	(635 156)	23 167	-
DBSA Local Economic Development	(29 538)	228 684	(228 684)	132 142	-
SETA	-	-	-	-	-
<b>Total Other Grant Providers</b>	<b>(6 371)</b>	<b>1 025 521</b>	<b>(863 841)</b>	<b>155 309</b>	
<b>Total</b>	<b>7 119 088</b>	<b>96 422 786</b>	<b>(101 395 346)</b>	<b>2 146 528</b>	